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NEWS SUMMARY

GENERAL

Warsaw Solidarity calls for protest

Leaders of the Warsaw region branch of the Solidarity free trade union called on workers to stage co-ordinated protest rallies across Poland on December 27.

The delegates said they were calling the rallies to protest against solving conflicts by force. They also discussed proposals to establish permanent worker guards.

Reagan security

Anti-sniper squads patrolled the roof of the White House as the hunt went on for two Libyan assassination teams reportedly sent to kill President Reagan. Page 2

Spanish action

Spanish army officers who signed a manifesto criticising government treatment of the armed forces have been placed under preventive arrest in barracks. Page 2

Steel Tory claim

Liberal leader David Steel claimed a large number of Tory MPs would be willing to co-operate with a Liberal/SDP Alliance government. Back Page

Bill reviewed

The Cabinet is considering dropping the most controversial part of the Local Government Finance Bill aimed at limiting local authority rate rises.

Liverpool protest

About 1,000 Protestant protesters took over Liverpool's Anglican cathedral to object to the Pope's visit to Britain next spring.

Donor unit fears

Doctors fear the £100,000 donation to the Westminster Hospital marrow unit will affect contributions to the separate St Mary Abbots Hospital donor unit which will not receive any of the money.

Express denial

Chairman of Express Newspapers Lord Matthews has reiterated that none of the Express group newspapers is for sale.

Equality call

Pope John Paul said men and women should be treated as equals in the workplace but allowances should be made for women because of their roles as wives and mothers.

Students to strike

National Union of Students' delegates meeting in Blackpool backed a call to stage their first national strike in protest against the Government's 4 per cent grant rise.

Lennon tribute

About 30,000 fans are expected in Liverpool by tomorrow to pay tribute to John Lennon on the first anniversary of his death.

British health

Drinking and smoking become increasingly common the further north people live in England which could explain differing death rates from heart disease, the British Medical Journal reports.

Briefly . . .

The four-week strike by 4,000 Coventry council workers has ended.

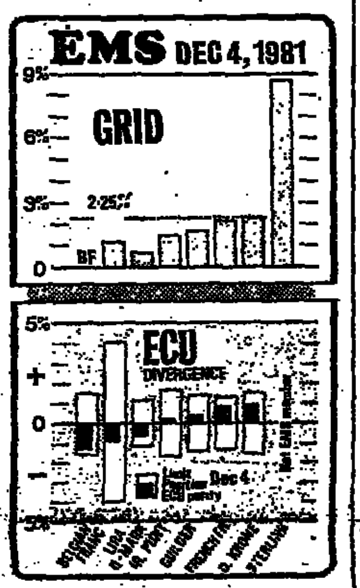
No trains will run in Britain on Christmas Day. A limited service will operate in Scotland only on the 20th.

BUSINESS

UK may decide soon on EMS

● GOVERNMENT may decide soon on full UK membership of the European Monetary System. Back Page

● POLITICAL and economic problems put pressure on the Belgian franc last week. It fell sharply to become the weakest member of the European Monetary System, and although the currency stayed within its divergence limit the Belgian National Bank probably continued to give support. The intervention of BFr 6bn the previous week was the largest since the EMS realignment in October. The Danish krone also weakened, but remained at the top of the system. The French franc and Irish punt were firm, but there was little reaction within the system to the downward trend in interest rates around the world, including a cut in the U.S. Federal Reserve discount rate.



The chart shows the two constraints on European Monetary System exchange rates. The upper grid based on the weakest currency in the system defines the cross rates from which no currency (except the lira) may move more than 2¼ per cent. The lower chart gives each currency's divergence from the "central rate" against the European Currency Unit (ECU) itself a basket of European currencies.

● U.S. PROTECTIONIST moves against EEC steel producers are expected to dominate Wednesday's visit to Brussels of four members of President Reagan's Cabinet. Back Page

● MONOPOLIES and Mergers Commission will pulish reports this week on Lonhro's bid for the House of Fraser store group, on European Ferries' plans to acquire Sealink, and on cheque trading. Page 5

● ICL has joined negotiations on the future of Nexos, the financially troubled, state-backed office equipment venture. Back

● BUSINESS confidence has improved slightly says the latest Financial Times Business Opinion Survey. Back Page

● YORKSHIRE Television's chairman from January 1 will be Mr Derek Palmar, chairman and chief executive of Bass. The re-organised station's deputy chairman will be Mr James Lee, deputy chairman and chief executive of Pearson Longman.

● TUC attacked government plans to make a new scheme for unemployed school leavers virtually compulsory and said it may withdraw co-operation from government training schemes. Page 17

● SEAMEN'S unions leaders will meet on Thursday to consider Employment Secretary, Mr Norman Tebbit's labour law proposals, which contain measures aimed at curbing the "blacking" of ships by members of the International Transport Workers' Federation. Page 11

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Labour in tense talks as Foot clash puts leadership at stake

BY MARGARET VAN HATTEM, POLITICAL STAFF

MR ERIC HEFFER today will today lead an all-out effort to defuse the Labour Party's latest crisis—one which, it is feared, could polarise the party and ultimately unseat Mr Michael Foot as leader.

As chairman of the National Executive's organisation subcommittee, Mr Heffer will head discussions on the selection of Mr Peter Tatchel, a 29-year-old social worker, as Bermondsey's prospective parliamentary Labour candidate.

The issue has led to a confrontation between Mr Foot, who declared that Mr Tatchell will never have his backing as an official Labour candidate, and the Bermondsey Party, which is determined that he should stand.

Mr Foot is due to meet Mr Tatchell for the first time today, shortly before the organisation committee meets. In the light of their discussions he may modify his objections.

If that conciliation move fails, the *committee probably will try* to find a short-term solution, such as an inquiry into the Bermondsey Labour Party, which would avert an open rebuff either to the party or to Mr Foot.

In the longer term, the problem could prove more difficult to resolve—especially if the long-threatened resignation of Mr Bob Mellish, the sitting Labour MP, takes place, prompting a by-election.

Many feel that in openly denouncing Mr Tatchell, Mr Foot has staked *his authority* as leader on the issue. It is believed this will be seen as a test case in the struggle to stop *infiltration by left-wingers*.

Mr Foot is under increasing right-wing attack for failing to act decisively against groups such as the Militant Tendency. At the same time, a growing number of MPs are proving vulnerable to left-wing attack in the re-selection process.

At the weekend Mr Walter Harrison, the deputy chief whip, easily fended off a left-wing challenge but Mr Raymond Fletcher was dropped by his Ilkeston constituency. Mr Willie Hamilton, the anti-monarchist, only managed to draw with a left-wing opponent.

Some senior left wing MPs, determined to support Mr Foot in whatever stand he may take, fear that right-wing colleagues may resist attempts at a compromise *in the hope of discrediting* Mr Foot and reasserting *right-wing dominance in the* Parliamentary Party well before the next general election.

Mr Foot has spoken out against Mr Tatchell's apparent disregard for Parliament and enthusiasm for extra-parliamentary action to bring down the Government. Although Mr Tatchell insists he is urging nothing more than peaceful *mass demonstrations*, it is felt that some of his phrases could provide *damaging ammunition* against the Labour Party, were be endorsed as candidate.

Many other MPs appear disappointed with Mr Tatchell's selection on more pragmatic grounds: they believe he would have little or no chance of winning what has until now been a rock-solid Labour seat—especially if it were contested by an SDP/Liberal heavyweight such as Mr Roy Jenkins.

But it is far from certain that they would actively oppose him, now he has been selected under the formal party procedure. There appears to be little firm evidence against him, he has never belonged to any extremist groups, such as the Minitant Tendency, and he staunchly *supports official party* policy.

If he is to become an official Labour candidate Mr Tatchell needs the endorsement of two committees — the organisation committee and the NEC as a whole.

These include a decisive number of left-wing MPs who would be reluctant to co-operate in *what is increasingly being seen* as a right-wing attempt to force *a crisis and undermine Mr Foot*.

However, many appear to feel *it is Mr Foot, not Mr Tatchell*, who needs a face-saving rescue. In the meantime, Mr Mellish is likely to come under heavy pressure to delay his resignation yet again.

Tories would back Alliance, says Steel, Back Page

Spirits of chairmen fall over new Rolls

BY JOHN GRIFFITHS

THE AVERAGE new Rolls-Royce, which once could appear on the balance-sheet as the most economical car for the chairman because its value barely dropped and often rose, is now dpereciating at the rate of something more than £1 for every mile travelled.

The Silver Spirit, launched in October 1980 at £49,960, now costs £52,113. Asking prices for 1980 models in some cases have fallen, however, to slightly below £40,000. Even X-registration models have been put on offer between £42,500 and £46,000.

The situation contrasts bleakly with that of even three years ago. Then, a buyer—who would have waited for his Rolls-Royce for up to three years—could take *delivery, register it* and immediately sell it at a premium *of up to £5,000*.

As the UK moved into recession and supply *moved* into balance with demand, however, not only has the premium disappeared. Before the Spirit's introduction it was, dare one say, even possible to buys its predecessor, the Silver Shadow, at a discount.

The Silver Spirit also commanded a premium, briefly. That, too, has gone. While there is little evidence of actual *discounting of the* Spirit it is a sign of the times that, unless a buyer wants a particular specification or colour, at some dealerships it is possible to buy off the showroom floor.

It is not possible directly to compare the current car's depreciation over the longer term, because its launch price was much higher than the £41,960 then being asked for its predecessor.

The days clearly have gone, however, when one *could sell* after two years for the original purchase price or more and put up as little as £2,500 to £3,000 to bridge the gap to a new replacement—a situation unique to Rolls-Royce among luxury cars.

The trade is not 100 per cent sure why this has happened. One well-informed source said: "I think you can forget the myth of the chair*man trading-down* to a Mini. It's clear, though, that as company *profits* have tumbled there's been a lot of economising.

Continued on Back Page
BL sales share down, Page 4

Italian unions to mount protest at jobless total

BY RUPERT CORNWELL IN ROME

ITALY'S engineering union has *called a series of protest strikes* this week, following the announcement by Alfa Romeo, the State-owned motor company, of plans to make a third of its workforce redundant next year.

The decision by the subsidiary of the IRI-Finmeccanica public sector conglomerate to cut scheduled output in 1982 by a third to 180,000 units and lay off or place on short-time 14,000 men, is a measure of the difficulties facing the Italian motor industry.

As Alfa formally declared a "state of crisis," Fiat, Italy's biggest motor manufacturer and largest private group, announced two weeks of additional lay-offs for 60,000 workers in its car division in January and February. This reflects the continued weakness in Fiat's export markets.

Italian domestic car sales grew by about 2 per cent in the *first nine months of this year* but have shown signs of weakness *in the fouth quarter*. Alfa, whose market share slipped from 7 per cent to 6.6 per cent between January and September, is *expected to produce* about 200,000 cars this year compared with *220,000 in 1980*.

The unions yesterday accepted that acute difficulties facing the Italian motor industry, but argued that the remedies put forward by Alfa's management could place the company's future in peril.

However, Alfa insists that without such drastic measures losses, understood to be running already at around L100bn (£43m) annually, might get out of control in 1982 jeopardising hopes for medium-term recovery. These hopes are pinned to a new model range, the controversial joint venture in southern Italy with Nissan of Japan and co-operation with Fiat in components manufacture.

The underlying fear of the unions is that Alfa may be bent on using its present crisis to *push through* a sweeping rationalisation pragramme.

After laying off 23,000 men, Fiat has boosted productivity

Continued on Back Page

Halewood workers vote to strike in New Year

BY BRIAN GROOM, LABOUR STAFF

MASS MEETINGS of hourly-paid workers at Ford's Halewood *factory on Merseyside* voted overwhelmingly at the weekend to *strike in the New Year over* the company's 7.4 per cent pay offer.

The vote by the traditionally militant Halewood plant does not necessarily indicate that the rest of Ford's 54,000 manual workers in its 24 plants will follow suit when they vote on their negotiators' strike recommendation on Wednesday.

There was, however, only a handful of votes against the strike call at a meeting yesterday of about a quarter of the *10,000 workers at the Halewood* body and assembly plants. The *2,000* workers at *the transmission* plant voted on Saturday.

Mr Ron Todd, *chief* union negotiator, yesterday prepared a leaflet explaining the reasons for rejecting the offer. It will be issued on Tuesday, when negotiators report back to joint union committees.

Mr Todd said that when the 17 unions produced a plan for efficiency *measures* which was negotiable, Ford replied with a "*final*" plan which was not. He had wanted to see more movement from the company on this, on the shorter working week, and on pensions.

Ford's pay offer, *with the* offer of a one-hour cut in the working week to 39 hours in January 1983, is firmly linked to improvements in efficiency. Angry voices at Halewood yesterday wanted these negotiated separately from pay, and demanded an earlier cut in hours.

The company is adamant that there must be satisfactory commitments on mobility and flexibility between jobs and grades, and other measures such as abolition of the "one-in, all-in" *overtime system*. No further talks are planned.

At BL Cars, managers at *the* Longbridge plant in Birmingham are hoping that spontaneous strikes will not break out today over the peace formula hammered out to end the four-week "tea-break" strike. Strikers accepted the formula on Friday, but only by a narrow majority and amid uproar.

There may be unrest among *sections of the night shift*, in particular. Under the deal they will work 39 hours a week rather than the 38 hours operated since 1956.

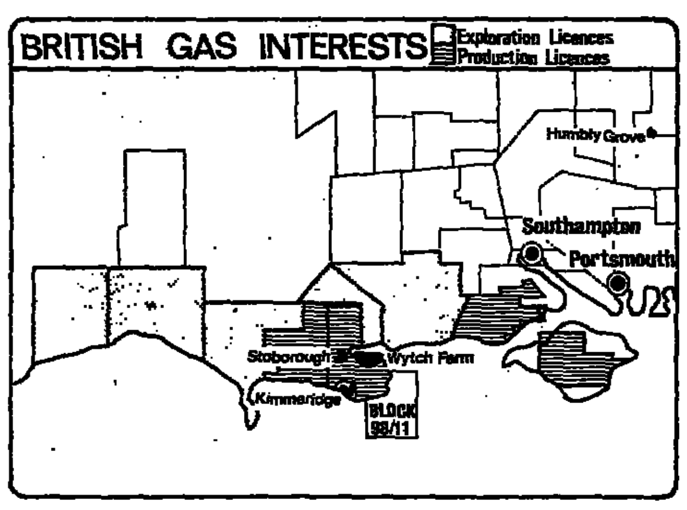
British Gas fights to keep control at Wytch Farm

BY RAY DAFTER, ENERGY EDITOR

BRITISH GAS Corporation, ordered by the Government to sell its half-share of the significant Wytch Farm oil field in Dorset, is attempting to retain operating control of the project.

Corporation officials are investigating ways in which their exploration and produc*tion staff could act under* contract as operators for the new owners. *Provisions for such* a move could be included in the sale document.

The Government is known to be considering this suggestion as well as the possibility of allowing British Gas to retain a small equity interest in the field. But the Energy Department would make no comment last night.



Sale of the Wytch Farm oil assets is expected to raise between *£125m and £180m for the* Government according to stockbroker estimates. Some 30 oil groups have already told British Gas they are interested in bidding.

Wytch Farm, half owned by British Petroleum, is thought to contain at least 100m barrels of recoverable oil. This makes it by far the biggest field ever to have been discovered on land in the UK and bigger than some *North Sea fields*. Energy Resource Consultants, of London, *is now evaluating* the reserve potential for the offer *document expected to be* published next spring.

British Gas officials believe that ultimately much more oil could be found in and around Wytch Farm, within the area of production licence 089 to be included in the sale. Tentative estimates, mentioned in the *industry, suggest that* the Wytch Farm block could contain over *200m barrels of recoverable oil*.

British Gas is also hopeful *of finding substantial oil or gas* reserves on some of its adjacent *onshore and offshore drilling* prospects held under exploration and production *licences*. The Corporation is thought to *have told Energy Department* officials that retained ownership of Wytch Farm would provide continuity of geological appraisal in the area.

British Gas is, however, likely to be challenged for the operatorship, particularly by large oil companies which would probably like to use Wytch Farm as a "nursery field" for *their project development* teams.

The well is *producing oil at* the rate of about 4,000 barrels *a day at present. Consultants* Landes (Engineering) have been *appointed to draw up a* scheme for increasing this output, *perhaps to 20,000 b/d*.

British Gas has been told it is *to lose its monopoly rights over* marketing natural gas. Its off*shore oil assets are also to be* offered for sale. And, prompted by the Government, British Gas is looking at ways of increasing competition in High Street retailing.

Esso presses for state action to boost Britain's oil, Page 4

Pressure on EEC over textiles

BY ANTHONY MORETON, TEXTILES CORRESPONDENT

THE EEC'S Council of Ministers begins a two-day meeting in Brussels today against a background of strong pressure from most European national textile organisations to *hold to its firm line on the* future of the Multi-Fibre Arrangement, which regulates much of world trade in textiles and garments.

Late last week the British Textile Confederation, which *represents all the main industry* bodies in the UK, warned the British Government that a further 30,000 jobs could be lost on top of the 150,000 over the past two years if a tough attitude towards imports from low-cost countries is not maintained.

Similar approaches are known to have been made in France and Italy, where there *has been a serious depression in* the textile and garment indus*tries over the past two or three* years.

Talks on extending the MFA opened in Geneva on November 18. Because of dissentions within the EEC the European position was not tabled until a little over a week ago.

It became clear that the view of the British, French and Italians—that any increase in imports of textiles from the low-cost producers such as Hong Kong, Taiwan, South Korea and Macao should not exceed the *rate of growth of the European* economy—had triumphed over a more *liberal* approach proposed by the West Germans and backed by the Danes and Dutch.

While the Ministers agre at the last council meeting on the general lines of policy, allowing the Commission to *negotiate at the MFA talks in* Geneva, not all the points were finalised. In particular the European attitude towards the Mediterranean countries, global ceilings and the year on which future import quotas will be based, have still to be agreed.

The hard-line countries, for *example*, would have liked 1980 to have been the base year because *trade in textiles* was then depressed and the amount of *imports* entering Europe relatively low. They fear that if 1982 is accepted as the base, which will determine quotas over the following five years, the low-cost suppliers will send extra-large amounts of their products to Europe in order to establish a generous base level.

Last week the British Textile Confederation told Mr Peter Rees, *minister concerned with* the MFA at the Department of Trade, that there was "no substitute for a straightforward basing of quotas on actual imports in 1980.

The problem in Brussels for *the hard-liners will be Germany*. She is almost certain to reject 1980 as a base and a compromise will be needed.

There is also concern about the rate of growth of imports of products such as trousers, *sweaters and blouses*. An average rate of increase of 1.2 per cent has been sought even though many countries thought the total rise would be less than 1 per cent.

Ministers are worried that the Europeans are becoming increasingly isolated as Third *World suppliers find themselves* more in accord with the U.S., *Canada and Japan*. Some feel a danger that if the Europeans are too rigid the MFA, which was introduced in 1974 and renewed in 1978, may break up.

OVERSEAS NEWS

Spanish celebrations overshadowed by military protest

BY ROBERT GRAHAM IN MADRID

A GROUP of 100 Spanish junior army officers and non-commissioned officers were confined to barracks yesterday after issuing a manifesto attacking media treatment of the armed forces and defending officers and men being held for their part in an abortive coup in February.

The manifesto, issued to coincide with the third anniversary of Spain's democratic constitution, marks the third and most serious sign of military discontent with the democratic process in a week.

In an attempt to reinforce Spanish democracy, the anniversary was formally celebrated, yesterday for the first time on the initiative of the four main political parties.

Throughout the country Spaniards were called on to drape flags from their houses as a sign of support for the constitution. Although the politicians appeared pleased with the popular response, the day was overshadowed by the action taken by the junior officers.

The manifesto was released just before midnight on Saturday. It protested against alleged insults directed against the armed forces by the Press and public, and sought to defend the honour of the officers being held for their part in the abortive coup.

Among the signatories was the son of the neo-fascist leader of Fuerza Nueva, Sr Blas Pinar and the son of Col Ignacio San Martin, who is being detained for his part in the coup attempt.

The Government is reported to have known of the manifesto's existence and sought to prevent its publication. The timing is considered significant since King Juan Carlos left Spain on Friday for an official visit to the Gulf Emirates. It caused Sr Alberto Oliart, Minister of Defence, to interrupt a weekend break. The joint chiefs of staff met and it was announced later that the military authorities had ordered an investigation and that the manifesto's signatories would stay in barracks under preventive arrest while it took place.

Last weekend an army captain used military police on his own initiative to break up a demonstration in La Coruna against the North Atlantic Treaty Organisation, although the meeting had been authorised by the civil authorities. His action was justified, he claimed, because the demonstration was insulting to the armed forces. The officer is now in detention.

On Friday, a group of officers, NCOs and soldiers took over a Madrid discotheque and harangued its occupants on the need for patriotism.

Ironically, military discontent is frequently framed within the context of the constitution. Article 8 lays down that the armed forces are the ultimate guarantors of Spain's sovereignty. The ambiguous wording allows the military to interpret it as giving them a right to intervene if they feel the Government is not looking after the national interest.

Washington hunts for killer squads

By Reginald Dale, U.S. Editor, in Washington

CENTRAL Washington was in a virtual state of siege yesterday as the hunt went on for two assassination squads reported to have been sent by Colonel Muammer Gadaffi, the Libyan leader, to kill President Ronald Reagan and other senior Government figures.

In an interview on ABC television, Colonel Gadaffi denied the reports. He called Mr Reagan "silly" and "a liar" and urged the American people to oust him.

Senator Daniel Moynihan, acting chairman of the Senate Intelligence Committee, said there was a "point eight probability" that the reports were correct. There was concrete evidence that Libya had stepped up its terrorist activities since the summer.

In Washington anti-sniper squads were patrolling the roof of the White House and Mr Reagan's schedule was further tightened to avoid exposure. It was announced that he would not even leave the White House grounds to perform the traditional ceremony of lighting the national Christmas tree.

The Federal Bureau of Investigation has said it has "sources"—reported to be a Libyan informant—that it is relying on and acting on. Security measures surrounding all leading members of the Administration were intensified over the weekend.

Bonn credit boost for E. Germany

BY JONATHAN CARR IN BONN

WEST GERMANY plans to extend further large credits to East Germany to help boost bilateral trade after an existing credit accord expires at the end of this month.

This has emerged in Bonn before the talks next weekend between Chancellor Helmut Schmidt and Herr Erich Honecker, the East German President, when economic ties seem bound to be a key topic.

Bonn's decision to continue to offer large credit—at or around the current level of DM 850m (£206m) a year, interest free—is likely to remove one possible element of friction from the summit discussions.

It remains unclear whether, in return, the East Germans will fulfil some of Bonn's own hopes, particularly of a cut in the amount of money West Germans must exchange before visiting friends and relatives in the East.

Weekend newspaper reports here suggesting that such a deal had already been agreed have been firmly denied by the Bonn Government.

The so-called "swing" credit arrangement is one of the means used to further East-West German trade, which last year rose by nearly 20 per cent to a total value of DM 11.7bn.

Under the present accord reached in the mid-1970s the East Germans are able to overdraw their account by up to DM 850m a year interest-free to buy West German goods. Last year they used up more than DM 700m of their quota.

However, under the terms of that accord, the credit sum available automatically reverts to DM 200m from the end of this year if no further agreement is reached.

Talks on the issue might well have been held last year, but the unrest in Poland forced cancellation of a planned Schmidt-Honecker meeting and caused a new freeze in East-West German ties.

Meanwhile, the independent Bundesbank has stressed that it does not wish to continue to bear the cost of subsidising the swing at its present levels. This cost in interest rate losses is estimated at about DM 100m for this year alone.

Herr Erich Honecker

Top Kampuchean leader replaced

BY KATHRYN DAVIES IN SINGAPORE

PEN SOVAN, general secretary of the Kampuchean Ruling Peoples' Revolutionary Party, has been replaced by President Heng Samrin.

An announcement from Kampuchea's government radio station at the weekend said that Pen Sovan had stepped down from his party post for reasons of health and overwork. Heng Samrin had been elected to replace him by a unanimous vote of the party's central committee.

Pen Sovan was widely believed to be the most powerful man in the country's pro-Vietnamese hierarchy, established after the Khmer Rouge regime, headed by Pol Pot, was ousted in December 1978.

Pen Sovan, 46, was educated in Vietnam and has a Vietnamese wife. In May this year he was frequently seen in public by correspondents observing the Kampuchean elections and seemed poised to take over power once Heng Samrin stepped down or was replaced.

Until recently he was prominently featured in the official media as a spokesman for the Government.

Most obeservers in South East Asia tend to discount the official explanation for his summary replacement. One possibility is that he has been too close to the Vietnamese—who have 200,000 troops in Kampuchea—to accommodate the increasingly nationalistic aspirations of the Kampuchean Government.

France seeks Israel's friendship

BY TERRY DODSWORTH IN PARIS

M CLAUDE CHEYSSON, the French Foreign Minister, starts two days of talks in Israel today designed to help re-establish the friendly relations between the two countries ruptured by General de Gaulle after the six-day war 14 years ago.

M Cheysson's discussions which will include both Mr Menahem Begin, the Israeli Prime Minister, and Mr Itzhak Shamig, Foreign Minister, preceed a planned visit to Israel by President Mitterrand early next year.

This renewal of top level contacts marks a significant shift in French policy towards Israel since the Socialist Administration took office in the summer.

During the seven-year term of President Giscard d'Estaing, relations between the two countries became particularly strained. Mr Begin once described the former French leader as a "dishonourable man."

Despite M Mitterrand's overt sympathy for Israel, M Cheysson's talks are not expected to lead to a total convergence of views. Only last week, Mr Begin underlined his suspicions of the French Foreign Minister's overall Middle East policy by saying in a television interview screened in France that he was "not a friend of Israel."

This remark illustrates the Israeli uneasiness caused by France's continuing friendship with the Arab world, symbolised in President Mitterrand's visit to Saudi Arabia—a country which supplies about half of France's oil—last September.

AP reports from Riyadh: Mr Philip Habib, the U.S. special Middle East envoy, held talks with Crown Prince Fahd of Saudi Arabia here yesterday.

Sharon to deal with settlers

BY DAVID LENNON IN TEL AVIV

ISRAEL'S Cabinet yesterday empowered the Defence Minister, Mr Ariel Sharon, to restore order in the settlement town of Yamit in northern Sinai. The town has been sealed off by residents demanding compensation of up to £135,000 each for the businesses they will have to abandon when the town is evacuated and handed over to Egypt in April.

The businessmen welded shut the gates to the desert town five days ago and set fire to government offices after talks on compensation broke down.

The group of about 100 people threatened to resist any attempt by the army to break into the town.

The confrontation is considered to be a dress rehearsal for the main clashes expected next year when the Government tries to evacuate groups of Israeli extremists who have moved to the Sinai settlements during the past few weeks to try to halt the final withdrawal. Caches of weapons and petrol bombs were found recently in Yamit.

AP reports from Cairo: President Hosni Mubarak of Egypt has said in an interview that he plans to visit the U.S. and Israel some time in February. He also offered to go to any Arab country to discuss co-ordination for an overall Middle East peace with Israel.

Mr Mubarak added that there had been a terrorist plot to kill leaders attending President Anwar Sadat's funeral, and he emphasised that the joint military manoeuvres with the U.S. would continue and were "priceless" in terms of lessons learned.

Portugal 'military aid' deal

PORTUGAL is understood to have pledged military aid to Mozambique, its former southern African colony, to protect it from local South African-backed insurgents and direct South African attacks, our Lisbon correspondent writes.

A joint communique issued at the end of last week's visit to Mozambique by the Portuguese President gave no details of military co-operation, but an official travelling with President Antonio Ramalho Eanes said yesterday that Gen Lopes Alves, deputy chief of staff of the Portuguese armed forces, had remained in Mozambique to negotiate details

Rome policeman shot

A member of Italy's carabinieri (paramilitary police) was shot dead in central Rome yesterday, Rupert Cornwell reports. Sig Romano Radice, was gunned down by a youth who had been stopped for a routine check. The ultra right-wing group, the Armed Revolutionary Nuclei, claimed responsibility for the attack.

El Salvador party

Extreme right-winger Major Roberto d'Aubuisson has registered the Arena Party as the fourth contestant in electies due to be held in El Salvador in March, reports Hugh O'Shaughnessy in San Salvador.

The move came amid growing efforts by the junta, led by President Jose Napoleon Duarte, to establish the credibility of the poll.

Maj d'Aubuisson has been accused by Mr Robert White, former U.S. ambassador in El Salvador, of involvement in the murder last year of Archbishop Oscar Romero of San Salvador.

Sakharov silence

The condition and whereabouts of Dr Andrei Sakharov, the Nobel Peace Prize winner, and his wife, Yelena Bonner, who were taken from their home in Gorky on Friday was not disclosed by the Soviet authorities yesterday, David Satter reports from Moscow. Dr Sakharov had been on hunger strike against the refusal of an exit visa to to his wife's daughter-in-law.

Talks over uranium

Libya and Madagascar are discussing the possibility of forming a joint company to exploit uranium deposits in the Indian Ocean island, the Madagascar Government said yesterday, Reuter reports from Antananarivo.

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Both sides claim success in Gulf war battles

BEIRUT—Iraqi forces were battling yesterday to repulse another Iranian counter-offensive as the current phase of increased activity in the Gulf war entered its eighth day.

Both sides in the 14-month-old war reported successes as Iraqi invasion troops defended their positions near Susangerd in Iran's oil province of Khuzestan, which has borne the brunt of the war. But neither country appeared to have gained a decisive advantage.

The latest fighting flared up on November 29 when Iran said it had driven a wedge between Iraqi forces north and west of Susangerd and had recaptured the small border town of Bustan, taken by Iraq in the first days of the war. It was the fourth major counter-offensive by Iran this year.

Iraqi forces hold several strips of Iranian territory along the 500-mile border. The two deepest incursions are north and south of Susangerd.

The Iraqi high command reported heavy fighting around Susangerd at the start of last week without immediately confirming that the Iranians had launched an attack.

But by the end of the week, Iraq was speaking of its troops mounting a counter-offensive.

The official Iraqi news agency said the Iranians had lost about 4,000 men and 152 tanks and the Iraqis 148 men and 33 tanks Reuter

Italian credit to back Romanian nuclear plant project

BY RUPERT CORNWELL IN ROME

AN IMPORTANT innovation in Italian export financing has been sealed with the successful flotation of a $76m Euromarket offering on behalf of Mediocredito Centrale, the medium-term credit institute controlled by the Rome Government.

The operation is the first concrete application of legislation brought in last July empowering Mediocredito to grant credits directly to foreign public or private authorities or enterprises to go towards the financing of Italian exports. Hitherto it had been principally concerned with subsidising interest rates on export credits.

The loan, repayable over 16 years, will go towards covering the share of Ansaldo, the energy engineering subsidiary of the IRI-Finmeccanica state conglomerate in last March's order from Romenergo, the Romanian electricity utility, for two nuclear power stations. The order was obtained by a consortium of Ansaldo and General Electric of the U.S. and involves the use of Candy technology developed by Canada.

Although the first use of the new technique was partly dictated by the exceptional duration of the credit sought, and the current doubts surrounding Romania as a borrower, it is hoped that it will be the forerunner of other operations in the future.

Officials and bankers here hope the operation will herald the emergence of an Italian version of the Eximbank of the U.S.

Mediocredito whose endowment fund from the state is currently L1.35 trillion (million million) (£600m) intends to carry out similar exercises in the future, whose proceeds will go less to high risk customers than to help exports by small and medum-sized companies.

The smoothness with which the loan, managed by Morgan Guaranty of the U.S., went through is also of great satisfaction to the Bank of Italy, as vindication of the new methods brought in to improve the organisation of Euromarket borrowings by Italian bodies.

Charles Smith explains why two Japanese Ministries are at odds on a trade issue

Breakthrough seen for trilateral talks

IF STATEMENTS by one of the two ministries involved are to be believed, Japan may at last be about to break out of its three-month inter-ministerial deadlock on whether to attend a three-cornered trade conference with the U.S. and Europe.

Mr Shintaro Abe, the new Minister of International Trade and Industry (Miti), will "probably" attend the conference if it can be held around the middle of January, according to Miti officials. Mr Abe, the officials added, may be accompanied by a senior official from the Ministry of Foreign Affairs, although this is a matter on which "*negotiations*" are still under way.

An official for the Foreign Ministry, asked to comment on Miti's statement, said he thought it was based on wishful thinking. However, even the Foreign Ministry admits that talks on a "settlement" of the trilateral question are under way and that they may produce results in the not too distant future.

MITI and the Foreign Ministry have been engaged in a bitter argument about the trilateral conference ever since last August when the U.S. Special Trade Representative, Mr William Brock, sent a letter to the then Minister of International Trade and Industry, Mr Rokusuke Tanaka, asking him to take part.

The Foreign Ministry took exception to the Brock letter on the ground that it was not sent through diplomatic channels (which would have enabled the Foreign Ministry to see it first). An additional source of annoyance to the Foreign Ministry seems to have been MITI's failure to tell it what was going on at a still earlier stage—*when the trilateral idea was* raised verbally at a meeting in Washington.

The Washington meeting, which took place shortly after the Ottawa summit in July, was attended on the Japanese side by Mr Tanaka and on the U.S. side by President Reagan and Mr Brock. Precise details of what took place are not available, but it appears that the U.S. participants formally proposed a conference and that Mr Tanaka expressed strong interest.

Foreign Ministry officials have not said openly that the Ministry bases its opposition to the holding of a trilateral conference on MITI's "incorrect" action in talking to the U.S. government about the idea without the Foreign Ministry's knowledge or consent. The official Foreign Ministry line is that it would be a mistake to rush into such a conference without allowing time for the preparation of a proper agenda and without sounding out other nations who might feel excluded by the trilateral formula.

The Foreign Ministry's true *ground for delaying the staging* of the conference for at least three months after it was originally proposed does seem, however, to be its resentment at Mr Tanaka's efforts to "go it alone."

Feelings on this issue had been aroused even before the mooting of the three-cornered conference when Mr Tanaka took the lead in a series of talks with Washington which led to Japan's voluntary restraint on car exports to the U.S., after the Foreign Ministry had said clearly that it would do the talking.

Foreign Ministry officials say that their department is the "legitimate channel" for Japan's *relations with the outside world*, while admitting that other ministries also have a role to play, subject to Foreign Ministry co-ordination. Their claim to "legitimacy" appears technically correct in the sense that all official communications between Japanese embassies and the Government in Tokyo are required to pass through the *Foreign Ministry, even when* they originate with officials seconded from other ministries.

MITI, however, has the responsibility for looking after the affairs of most of Japan's key export industries, including cars and electronics, and thus inevitably gets involved in the arguments with foreign governments that arise from Japan's over-successful exports.

Some MITI officials claim that the Ministry of Foreign Affairs is "sensitive" about its role in running Japan's external economic relations because of its "failure" to develop meaningful overseas political relationships for Japan.

The gradual cooling off of the quarrel about the trilateral conference which now seems to be occurring is being attributed partly to personnel shifts. The *original offender in the affair*, former MITI Minister Tanaka, gave up his portfolio in last week's Cabinet reshuffle to become a senior Liberal Democratic Party official and was replaced by a successor who has what the Foreign Ministry can presumably bring itself to regard as a clean record.

On the Foreign Ministry side *of the argument, the departure* for an ambassadorial post of a Vice-Minister who had taken a specially hard line against MITI may also have made things easier.

With the hardliners out of the way Japan may just conceivably be able to see its way to participating in a conference that the U.S. and Europe have been waiting to hold since the beginning of November. This does not mean that all problems are solved. At bottom both MITI and the Foreign Affairs Ministry probably remain determined to prove that they are the ones who run Japan's external economic relations.

Yugoslavia imposes customs restrictions

By Paul Lendvai in Vienna

BORDER TRAFFIC between Austria and Yugoslavia practically ground to a halt at the weekend as the Yugoslav authorities sought to impose tough customs restrictions.

Yugoslav citizens from Saturday are now allowed to take back into the country food and consumer goods *worth up to* D200 (£2.80) duty-free, instead of the D1,500 ceiling imposed last summer.

As a result of the previously unannounced reductions and the extremely *thorough* checks by Yugoslav customs officials, traffic at the main Austro-Yugoslav border crossing was held up at the *weekend with* cars *and* buses waiting up to 12 hours.

The new decree is regarded by Austrian observers as a desperate measure to stem the foreign exchange outflow from Yugoslavia.

By Saturday noon Yugoslav authorities were reported to have confiscated nine tonnes of coffee from Yugoslav travellers.

Austrian authorities fear chaotic conditions once the holiday traffic sets in with *hundreds of thousands* of Yugoslavs working temporarily abroad heading south for Christmas.

Meanwhile, Czechoslovakia announced that from today Poles may only visit the country if they hold an invitation officially confirmed by the Czechoslovak authorities. At the same time, the Prague Government followed the examples of Hungary and Bulgaria and issued a new lengthy list of foodstuffs and consumer goods which tourists are not allowed to take out of the country.

SHIPPING REPORT

Optimism on prospects for tanker charter rates

BY LYNTON McLAIN

TANKER BROKERS ended last week on a note of modest optimism about prospects for tanker charter rates, especially in West African markets.

A spate of fresh business was reported by Galbraiths, tanker brokers, from terminals in the area. Previously the market had been noticeable only because of *its inactivity*.

The increased activity was attributed by the brokers to the ability of tanker charterers to arrange advantageous prices for crude oil. This had created a flurry of activity as charterers sought ships urgently.

Rates improved and Galbraiths arranged a 136,000-ton deadweight tanker for BP *to take a part-cargo of* 83,000 tons for carriage from Nigeria to the Mediterranean at Worldscale 61. Other charterers subsequently paid *Worldscale*-90 to move 60,000 tons from West Africa to the U.S. Atlantic coast.

Brokers forecast that rates could harden further and with the possibility of a spin-off effect on the Mediterranean market.

Other markets, however, were more sluggish. The Gulf trades *suffered as the amount of* business available for the larger tankers remained "desperately scarce." Charter rates for the very large crude carriers and the ultra large crude carriers continued to be at "rock bottom," according to some brokers. A typical charter was the 350,000-ton vessel, for loading at about December 10, from the *Gulf to* Greece *which* attained Worldscale 14.

Elsewhere more tankers were reported to be using the Suez Canal.

Britain seeks to sell arms to S. Korea

BY ALAIN CASS, ASIA EDITOR

BRITAIN is mounting a major effort to break into the market for arms sales to South Korea *which has so far been almost* entirely dominated by the U.S.

South Korea has indicated it *wants to diversify its sources* of supply and has asked Britain, as well as a number of other European nations, to open discussions for the sale of advanced fighter aircraft, missile systems and sophisticated radar and electronic equipment.

The British effort is being focused on the possible sale of the highly successful Hawk trainer/fighter, missile systems and radar. A sales team from British Aerospace has been negotiating with the South Koreans who are also examining rival bids from the Franco-German Alpha jet and Italian competitors.

Huge market

South Korea has the world's sixth largest standing army and is potentially a huge market for arms. The British Government has given the go-ahead in principle to arms sales to South Korea now that it is clear that the Seoul regime of President Chun Doo—Hwan is firmly in place following the assassination of *his predecessor* Mr Park Chung Hee in October 1979.

The British commercial effort is receiving strong Government backing. Mr Roh Tae Woo, South Korea's powerful Minister of State for Security and *Foreign Affairs*, had talks in London at the end of November with Lord Carrington, the Foreign Secretary, Mr John Knott, Secretary of State for Defence, and officials of Whitehall's defence sales team.

This is being followed up early next year with visits to *Korea by Foreign Office and* Trade Department Ministers.

The Koreans regard Britain as a firm ally. British companies are also being invited to compete for major contracts in South Korea's big railway construction programme and the proposed extension to Seoul's subway system.

French group tipped for nuclear deal

BY ANN CHARTERS IN SEOUL

ALSTHOM ATLANTIQUE of France has emerged as the front *runner for the $400m contract* to supply the turbine generators and auxiliary components for South Korean nuclear power plants numbers nine and 10.

Last year the contract for the nuclear steam supply systems for the same plants was also awarded to a French company, Framatome.

Other companies bidding on the current project were Brown Boveri and COOF Switzerland, General Electric and Westinghouse of the U.S., GEC of Britain and Mitsubishi of *Japan*.

The French financing for the project arrange at favourable government export-promotion rates appears unbeatable, although the initial price of the secondary system to be supplied is slightly higher than in other bids. The awarding of the contract has been expected since June.

The final decision is to be delayed because Korea Electric, which controls the projects, has decided to evaluate prices for more of the conventional island *work in addition to the supply* of the turbine generators.

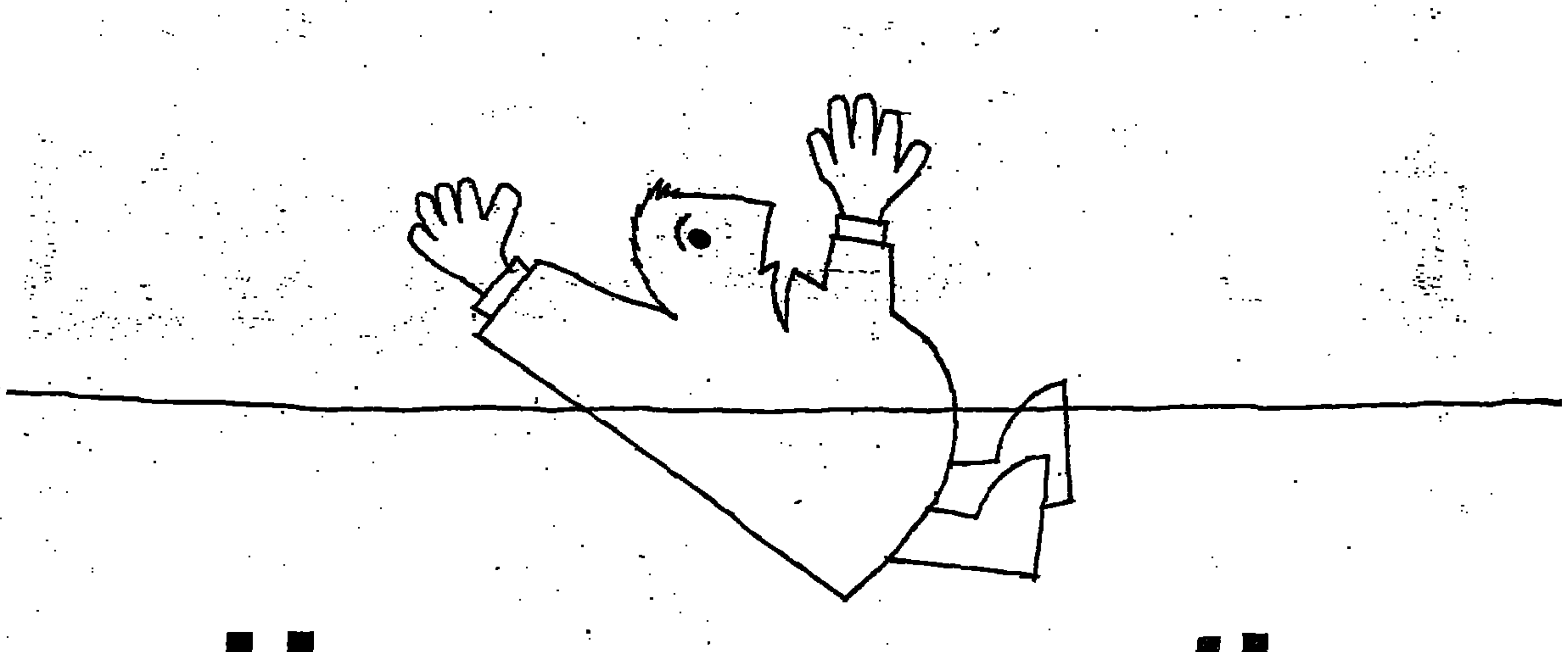
Korea Electric is expected to invite bidding soon for the nuclear island systems for three more power plants which will complete Korea's current nuclear power plant construction programme. The country is committed to a nuclear programme that will supply 50 per cent of power generation within 10 years.

World Economic Indicators

RETAIL PRICES
1975 = 100

	Oct. '81	Sept. '81	Aug. '81	Oct. '80	% change over previous year
UK	225.3	223.3	222.0	201.7	11.7
U.S.	173.6	173.2	171.5	157.5	10.2
France	194.0	191.6	189.5	170.1	14.1
W. Germany	131.2	130.8	130.1	122.9	6.7
Italy	266.6	261.4	257.7	224.1	19.0
Netherlands	148.0	146.7	145.0	137.7	7.5
Belgium	149.6	149.0	147.7	138.8	7.8
	Sept. '81	Aug. '81	July '81	Sept. '80	
Japan	145.5	143.6	144.2	140.0	3.9

Source: Eurostat (except Japan)



BL sales share down to 15%

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

BL'S SHARE of new car sales last month fell to 15.48 per cent. Its market penetration has fallen below this level only three times before—including the nadir of 13.18 per cent in June 1980.

The group's misery was compounded by the relatively disappointing debut of the Triumph Acclaim, the car built under licence from Honda of Japan.

BL hoped Acclaim would capture around 3 per cent of total sales. However, in its first full month on sale it could manage only 2.54 per cent, according to figures released by the Society of Motor Manufacturers and Traders today.

Ford recorded its best-ever month in market share terms with just over 35 per cent.

Three other manufacturers were also celebrating the November figures:

VAG, the Volkswagen-Audi group whose cars are imported by a Lonrho subsidiary, passed its record sales figures—reached in 1979—with one month of 1981 still to go. VAG's sales in 11 months this year total nearly 78,000 against just over 76,000 for the whole of 1979.

Volvo, whose cars are imported by the Lex Group subsidiary, will also record its best year in 1981. November sales took the total to nearly 42,500 compared with the previous best for a full year, 38,200 in 1980.

Mercedes-Benz, which owns its import company in the UK, has for the first time seen more than 10,000 of its cars registered in Britain in one year. At the end of November the total was 10,339, compared with the record 8,876 for the whole of last year.

BL's poor performance in November reflected the uncertainties generated by the industrial dispute of the previous month.

Ford pulled forward some orders by announcing a price increase on most models well in advance of the operative date, November 9. The company was also helped by the introduction of the "face-lifted" Granada, which returned to the top 10 best-selling cars list for the first time in many months.

Total new car registrations, at 105,594, were nearly 15 per cent ahead of those for November last year.

And sales in the year so far are only 2.36 per cent below the 11-month total for 1980 at 1,428,292.

In November, imports accounted for 55.3 per cent of all sales against 46.9 per cent in the same months last year, reflecting Ford's decision to bring in more cars from the Continent to keep pace with demand. Imports over the full 11 months, however, are down from 57.1 to 55.8 per cent.

Japanese cars accounted for 11.17 per cent of sales after 11 months against 12.21 per cent in the same period last year.

General Motors had its best share of the market in Britain since November 1978 and took over 11 per cent, with the new Cavalier taking a 4.68 per cent market share.

November top ten sellers: Ford Escort, 13,228; Ford Cortina 12,395; Ford Fiesta 7,420; Austin Metro 6,815; Vauxhall Cavalier 5,089; Vauxhall Chevette 3,179; Triumph Acclaim 2,684; Ford Granada 2,409; Vauxhall Astra 2,200; Volvo 300 series 2,133.

Top 10, year to date

Ford Cortina 153,703; Ford Escort 135,274; Ford Fiesta 106,383; Austin Metro 104,214; Morris Ital 47,477; Vauxhall Chevette 35,651; Datsun Cherry 31,962; Vauxhall Cavalier 30,054; Vauxhall Astra 29,840; Austin Morris Mini 27,967.

Good year claimed for British Shipbuilders

By Lynton McLain

THIS YEAR was one of British Shipbuilders' best since it was nationalised in 1977, the state corporation said yesterday. Orders for 32 merchant ships, worth £360m had been placed, it said after announcing the latest.

These were for two ships worth £13m, won by Appledore Shipbuilders of North Devon and placed by Rowbotham Tankships of London.

The announcement came a few days after Mr Robert Atkinson, the corporation's chairman, told MPs on the Commons industry and trade select committee he forecast a further sharp drop in corporation losses.

The corporation was expected to break even or make a small profit in 1983-1984, he said. This compared with the trading loss of £41m in 1980-81 on a total turnover of £899.2m, and the loss of £110m in the previous financial year.

A target loss of £25m had to be met by the corporation in this financial year. It was expected that the loss would be cut to £10m by March 1983. All the losses were after taking account of the Government's shipbuilding intervention fund, used for subsidising orders.

The Rowbotham Tankships orders are for a 10,500-tonne deadweight products-carrier and a 6,000-tonne deadweight chemical-tanker.

Rowbotham Tankships is part of the Ingram Corporation of New Orleans. The 10,500-tonne products-carrier will be the largest vessel built at Appledore. The previous largest vessel was an 8,000-tonne deadweight tanker, for Rowbotham Tankships, finished in October last year.

Esso presses for state action to boost Britain's oil resources

BY RAY DAFTER, ENERGY EDITOR

LOW ECONOMIC growth and further improvements in conservation and fuel efficiency will help the UK to maintain a healthy energy balance for 20 years, Esso Petroleum says in a supplement to its Esso Magazine.

But the Government is warned that unless the North Sea oil industry takes vigorous action to increase offshore exploration and production in the next few year,s the UK will have to rely on net imports of oil in the 1990s.

Esso, the UK subsidiary of the Exxon Corporation, says there are enough oil resources to cover the whole of the country's oil demands for most, if not all, of the next 20 years.

Given the expected increase in competition from the coal and nuclear industries as well as further improvements in the fuel efficiency of cars and other vehicles, Esso forecasts that oil demand will fall from last year's 80m tonnes to 70m tonnes by the end of the century.

Overall energy demand is expected to grow at an average of 0.8 per cent a year, from the equivalent of just over 200m tonnes of oil in 1980 to about 240m tonnes of oil equivalent (mtoe) in 2000.

Natural gas is expected to continue to supply about one-fifth of the country's energy needs, although Esso expects that UK production will have to be supplemented by new supplies from Norway and possibly imported liquefied natural gas.

The coal industry is expected to enjoy a revival which could see demand growing from last year's level of about 120m tonnes to some 150m tonnes (88mtoe) by the turn of the century.

Domestic production, which was running at 130m tonnes in 1980 is not expected to rise above 140m tonnes, however. Even this small increase would require substantial investment in new mines to replace old pits.

Esso expects the Government to implement fully its 15 Gigawatts nuclear programme. This would raise nuclear output from the equivalent of 8m tonnes of oil in 1980 to 33 mtoe by 2000.

Failure of the Government to implement its nuclear and coal programmes would probably put greater pressure on oil supplies, Esso adds.

The overall projections are roughly in line with the latest forecasts of the economics department of Surrey University, outlined by Prof Colin Robinson at a fuel-buyers conference last week.

The university believes, however, that demand for oil will rise to between 76m and 94m tonnes by the turn of the century; and that UK coal consumption will slide to the equivalent of between 47m and 65m tonnes of oil (80-110m tonnes of coal).

Powell renews stand on Ulster devolution

BY OUR BELFAST CORRESPONDENT

MR ENOCH POWELL, the Official Unionist MP for Down S., has renewed his argument against devolution in Northern Ireland.

Claiming that for two years British, Irish and U.S. officials had been working on a plan for a united Ireland, he said in a weekend speech to Unionists at Coleraine that any devolved assembly could be brow-beaten and cajoled into participating in all-Ireland institutions eventually.

Later, however, in a radio interview, when asked if he could produce evidence to support his claim, Mr Powell said it was the kind of evidence which one did not disclose because of its confidential nature.

He said his case was supported by last week's visit to London and Dublin by Mr William Clark, the U.S. Deputy Secretary of State.

Mr Powell has long challenged the traditional Unionist desire for a return of a Stormont parliament. Mr James Molyneaux, his party leader, appeared to support this so-called integrationist argument at this year's conference when he said he could not realistically promise to deliver full devolution.

Mr Powell said British and Irish officials made a secret agreement in 1979. It was the basis of all that had happened since.

In return for an undeliverable promise of co-operation against the IRA, Britain had agreed on a proces which would take North Ireland into a united Ireland.

Mr Powell said the disastrous meeting between Mrs Thatcher and Dr Garret FitzGerald in November had been the latest stage in a planned process.

There was to be an all-Ireland state. This achievement would be crowned by that state's entry to Nato, thus filling the main gap in the U.S. strategy for Europe and the North Atlantic.

Turning to his case against devolution Mr Powell said the key which opened the door was to be an Anglo-Irish institution in which Northern Ireland would be represented and would thus be drawn progressively into economic and political relations with the Irish Republic.

"Of all this, the essential prerequisite is to have in existence an Ulster representative institution," he said.

He claimed, further, that the Northern Ireland Office had been trying to split the Unionst party and to hustle it into accepting some form of local institution which could then be pushed into participation in all-Ireland constitutions.

The Official Unionist Party debate about devolution is likely to intensify because of a meeting next week between the party and Mr James Prior, the Northern Ireland Secretary. Mr Prior is seeking ways to return some decision-making to local politicians.

Other Unionists, meanwhile, reacted strongly to Mr Clark's visit and to the text of a letter from President Reagan which he delivered to Ireland's Prime Minister.

● In Dublin, Mr William Craig, the former Northern Ireland Home Affairs Minister, said he was prepared to stand for the Official Unionist Party leadership if the party was ready for change. He said the party was practically dead at local level, because of the lack of leadership and inability to formulate policies.

BUSINESSMAN'S DIARY

UK TRADE FAIRS AND EXHIBITIONS

Date	Title	Venue
Dec 7-11	Royal Smithfield Show and Agricultural Machinery Exhibition (01-235 7000)	Earls Court
Dec 8-10	Exhibition and Display Systems Fair—MODULEX NORTH (01-894 1041)	Harrogate
Dec 8-10	Information Technology and Electronic Publishing Exhibition (865 730275)	Cunard International Hotel, London
Dec 9-14	Dirt Bike '82 Show (0204 29549)	Bristol
Dec 10-13	Christmas Fair (01-328 2281)	Alexandra Palace
Jan 3-7	Giftware Show (0272 848598)	Truro
Jan 9-14	International Toy Fair (01-226 6653)	Harrogate
Jan 10-13	Stationery Industry Exhibition—STATINDEX (01-637 7692)	Grosvenor House, W1
Jan 20-27	International Hotel and Catering Exhibition—HOTELYMPIA (021-705 6707)	Olympia
Jan 23-30	Ideal Homes, Food, Trades and Leisure Exhibition (0243 781275)	Winter Gardens, Eastbourne
Jan 24-27	Leathergoods, Luggage and Handbag Fair (01-407 1582)	Kensington Exhibition Centre
Jan 30-Feb 3	British Toy and Hobby Fair (01-701 7127)	Earls Court
Feb 1-4	Photography at Work Exhibition (01-688 7788)	Exhibition Centre, Harrogate

OVERSEAS TRADE FAIRS AND EXHIBITIONS

Current	Furniture, Shopfitting, Decorative Lighting, Furnishings Exhibition (01-353 2300) (until Dec 10)	Alkhobar
Dec 8-12	International Machine Tool and Metal Working Exhibition (01-486 1951)	Jakarta
Dec 9-12	CommunicAsia '81—The Second Asian International Electronic Communications Show and Conference (01-486 1951)	Singapore
Dec 9-16	Shipping and Marine Transportation Exhibition—MARINTEC (08833 6155)	Shanghai
Dec 10-16	International Handling Equipment Exhibition (01-439 3964)	Paris
Dec 16-21	International Electrical, Electronics and Engineering Exhibition—INDEXEL (01-540 1101)	Athens
Jan 8-14	International Showmen's Fair—SCHAUSTELLER (01-409 0956)	Dusseldorf
Jan 11-14	Middle East Food and Equipment Show—MEFEX (01-486 1951)	Bahrain
Jan 14-25	Boat Show (01-439 3964)	Paris
Jan 22-31	International Commercial Motor Show (02298 11 11)	Geneva
Jan 24-28	Middle East Construction Exbn. and Conference (01-935 8200)	Dubai
Jan 25-31	Do-it-yourself exhibition—KARWEI (01-486 1951)	Utrecht
Jan 29-31	International Boat Show (01-486 1951)	Malmo

BUSINESS AND MANAGEMENT CONFERENCES

Dec 8	CBI: Japanese Companies in Britain (01-379 7400)	Centre Point, WC1
Dec 8	LCCI: New Opportunities in Docklands (01-248 4444)	Cannon Street, EC4
Dec 9-10	Frost and Sullivan: Selecting and Implementing Word Processing Systems for European Audiences (01-486 8377)	Cumberland Hotel, London
Dec 10-11	FT Conference: European Business Forum—Finance Investment and Trade (01-621 1355)	Rome
Dec 10-11	ESC: North Sea Continental Shelf Taxation (057282 2711)	Royal Garden Hotel, W8
Dec 11	Admap: Tools of the trade—How to buy and sell advertising time and space—A practical guide (01-379 6576)	Society of Chemical Industry, SW1
Dec 14	Ron Clements Associates: Process Communication Model (Byfleet 43301)	Basil Street Hotel, SW3
Dec 14-15	FT Conference: World Banking (01-621 1355)	Grosvenor House, W1
Dec 15	ESC: Recovering debts at home and abroad (057282 2711)	Mount Royal Hotel, W1
Dec 19-23	Abdullah H. Tariki: Saudi Arabia—the management challenge (Brussels 322 538 9114)	Taif
Jan 11-12	Institute of Personnel Management: The Secretary in Personnel Management (01-946 9100)	Whites Hotel, W2
Jan 11-13	The University of Leeds: Textile design in the eighties conference (0532 35036)	Leeds
Jan 19-21	Crown Eagle Communications: UK Government Contracts (01-636 0617)	Churchill Hotel, W1
Jan 20-21	FT Conference: World Coal Markets (01-621 1355)	Inter. Continental Hotel, W1
Jan 25-29	London Business School: Management within the law (01-262 5050)	Regents Park, NW1
Jan 25-29	Manchester Business School: The Micro-chip Society—planning for the future (061-832 7972)	Selsdon Park
Jan 27-28	Meridan Conferences: Capitalise on communications (01-670 5400)	Knightsbridge
Jan 27-29	ESOMAR/EFMA: How research can help financial organisations communicate internally and externally (01-251 4549)	Rome
Feb 1-2	Metal Bulletin Congresses: Middle East Metals and Minerals (01-633 0525)	Dubai
Feb 1-2	The Institution of Mining and Metallurgy World Oil Mining Symposium (01-580 3802)	Mount Royal Hotel, W1

Anyone wishing to attend any of the above events is advised to telephone the organisers to ensure that there has been no change in the details published.

Parliamentary diary

TODAY

Commons: Local Government and Planning (Scotland) Bill, second reading. Transfer of Undertakings (Protection of Employment) Regs.

Lords: Slaughter of Animals (Amendment) Bill, second reading. Short debate on allegation that Libyan Government is promoting assassinations.

Select Committees: Home Subcommittee on Race Relations and Immigration. Subject: Immigration from India. Witnesses: Home Office, Foreign Office. 11 am. Room 15. Education. Subject: Funding of arts. Witnesses: Association of County Councils, Association of Metropolitan Authorities, Community Arts, Gulbenkian Foundation. 4 pm. Room 6. Foreign. Subject: Caribbean and Central America. Witnesses: Foreign Office. 4.30 pm. Room 8. Treasury. Subject: Government's economic policy, Autumn Review. Witnesses: Treasury officials. 4.30 pm. Room 15.

TOMORROW

Commons: Debate on Public Expenditure Proposals 1982-83. EEC documents on carriage of goods by road.

Lords: Hops Marketing Bill, third reading. Harbours Bill, second reading. Appropriation (N.I.) Order. Sex Discrimination (Amend) Bill, second reading. Short debate on deteriorating position in Poland.

Select Committees: Environment. Subject: Private rented housing. Witnesses: Chestertons, Shelter. 4 pm. Room 16. Social Services. Subject: Age of retirement. Witnesses: Equal Opportunities Commission, Life Offices Association. 4.15 pm. Room 21. Foreign, Overseas Development Sub-committee. Subject: Work of Commonwealth Development Corporation. Witness: Overseas Development Administration. 5.30 pm. Room 15.

WEDNESDAY

Commons: Supply Day debate on Common Fisheries Policy. Supply Day debate on People, Heavy Lorries and the Environment.

Lords: Debate on defence and nuclear weapons.

Select Committees: Industry and Trade. Subjects: British Steel Corporation, Concorde. Witnesses: Mr Patrick Jenkin, Industry Secretary, Mr Norman Lamont, Minister of State for Industry. 10.45 am. Room 16. Home. Subject: Complaints against police. Witnesses: Police Federation. 11 am. Room 8. Welsh. Subject: Water in Wales. Witnesses: National Water Council. 4 pm. Room 18. Energy. Subject: North Sea Oil depletion policy. Witnesses: British National Oil Corporation, British Gas Corporation. 4.15 pm. Room 6. Treasury and Civil Service. Subject: Efficiency and effectiveness in Civil Service. Witnesses: Mr Barney Hayhoe, Minister of State Treasury: Baroness Young, Chancellor of Duchy of Lancaster. 4.15 pm. Room 15.

THURSDAY

Commons: Debate on Scarman Inquiry.

Lords: Civic Government (Scotland) Bill, committee. Rent Assessment Committees Regulations. Transfer of Undertakings (Protection of Employment) Regs

Select Committees: Transport. Subject: Transportation in London. Witnesses: London Transport, Sir Peter Masefield, Sir Peter Parker, British Railways Board. 10.45 am and 4 pm. Room 17. Agriculture. Subject: less favoured areas. Witnesses: Countryside Commission, Countryside Commission for Scotland, Nature Conservancy Council. 11 am. Room 16.

FRIDAY

Commons: Private members' motions.

Dover port to export coal to Belgium

BY MARTIN DIXON, ENERGY CORRESPONDENT

DOVER is set to become the UK's latest—and most unusual—coal exporting port. The National Coal Board is on the point of agreeing the export of about 250,000 tonnes of coal a year to Belgium by container ship from the Kent harbour.

Transportation would be by Sea Containers, the international shipping and container leasing company, in what apparently would be the UK's first container service dedicated exclusively to a bulk commodity.

The coal would come from the NCB's small Kent field, which produces high quality coking coal used by the steel industry. The prospective purchaser is Carcoke, a Belgian company which operates three coke works.

The deal is part of a major export drive by the NCB, which has suffered a severe slump in UK demand because of the recession. The Kent coalfield has been hit particularly badly. Stocks at its three pits are high and it is becoming increasingly hard to find new stocking ground.

The project is awaiting approval of the Dover Harbour Board which is seeking some final points of clarification from the NCB. However, the board said it viewed the project sympathetically.

The coal would be loaded on to 200 open top bulk containers, provided by Sea Containers, at two collieries — Tilmanstane, near Dover, and Betteshanger, near Deal.

It would move by road to Dover docks and be shipped to Zebrugge aboard a dedicated Tarros class container vessel. The ship is expected to be on charter for two years and make five round voyages a week.

Safety is one reason for the use of containers. The coal to be shipped from Kent can form a slurry when mixed with water which destabilises vessels in high seas.

Containers overcome this problem and will make the transport of the coal more acceptable environmentally. Furthermore, a lack of coal handling port facilities in South East England means that the NCB would have difficulty exporting Kent coal without the use of containers.

The economics of the operation were not known last night. Analysts said the Coal Board would have to give the Belgians major discounts on its list price to meet the competition from other international suppliers and take account of the substantial shipping costs

The NCB has managed to double exports from about 5m tonnes last year to 10m tonnes this year—but at prices which have not covered its average costs for much of this period. However, the board says the exports give it vital additional cash flow and save it the cost of stocking coal in the UK—now running at nearly £6 a tonne a year.

European loans will boost jobs in Wales

By Robin Reeves

EUROPEAN Coal and Steel Community soft loans totalling nearly £250,000 have been awarded to five Welsh companies to finance expansion projects, creating up to 200 jobs.

Two new companies, Alar Engineering of Cardiff and Griffiths Trailers of Wrexham, are receiving £50,000 each to buy manufacturing equipment.

Other loans have gone to Atlas Fabricators of Clydach, to help finance new premises; to Eurofoil of Blaenavon, which plans to treble its hot stamping foil production capacity; and to Pendar Robotics, which is to manufacture its new Placemate small industrial robot at Ebbw Vale.

The ECSC loans, which are available to areas hit by steel and coal closures and are made with interest rates as low as 10 per cent, are being channelled through the Welsh Development Agency.

The agency is due eventually to distribute £5m through this facility, under an agreement signed with the European Commission a month ago.

Reports from Monopolies Commission awaited

BY DAVID CHURCHILL AND LYNTON MCLAIN

THREE important reports from the Monopolies and Mergers Commission will be published by the Government this week. In addition, the Government is also expected to rule against allowing retailers any discriminating surcharge on credit card users as recommended by a previous commission report.

The three reports being published include the results of two merger investigations and the conclusions on a monopoly probe of the check trading system.

The merger reports involve Lonhro's bid for the House of Fraser department store group and plans by European Ferries to acquire the State-owned Sealink operation.

Lonrho's much-publicised bid for the House of Fraser is almost certain to have been found to be against the public interest by the commission. It is unlikely that Mr John Biffen, the Trade Secretary, would reject the Commission's findings.

Mr Biffen is understood to have run into particular difficulties with the Monopolies and Mergers Commission investigation into plans by European Ferries to take over British Rail's Sealink ferry and harbour assets.

The Government's decision is to be announced at 9.30 tomorrow morning, but Mr Biffen is thought unlikely to give an unqualified go-ahead to a wholesale acquisition of Sealink by European Ferries.

Full-scale merger of the two ferry companies would give European Ferries a substantial majority of the business on the highly competitive and busy short sea crossings over the Channel. Mr Biffen is likely to question whether this near-monopoly would be in the interests of the British public.

Nevertheless, Mr Biffen knows that this year's Transport Act allows the Government to enable British Rail to introduce private capital into Sealink UK, the BR subsidiary. He also knows that the external finance limit of £950m set last week for British Rail in the 1982-83 financial year is sufficiently tight to force it to sell Sealink.

Publication of the report into the supply of check trading franchise and financial services has been held up while the Government considered its response to last year's report by the Commission on credit cards.

This suggested that retailers should be allowed to discriminate on prices between credit card users and those paying cash.

However, the Government has decided against accepting this recommendation. It is the first time that a major recommendation by the Commission in a monopoly report has been overturned by the Government.

The Government is likely to announce this decision at the same time as publishing the check trading report.

A bullish tone at the farmers' big show

By John Cherrington

THE ROYAL Smithfield Show opens today at Earl's Court on a rather more optimistic note than the doom and gloom which pervaded last year's event.

There is evidence that the decline in tractor registrations, which had been forecast to accelerate, has been checked and total sales this year could reach 20,500 units: only 4 per cent down on last year.

This "recovery" began in July and is attributed largely to more confidence in the arable sector. Manufacturers are hoping the improvement will last throughout 1982.

Even so, these figures are far below the 31,000 registrations of 1978 and point to a permanent readjustment of manufacturers' expectations as the market for tractors world-wide is under pressure.

The improvement in the UK has been in the market of higher horse power and four-wheel-drive machines, which point to a probable reduction in labour on farms. The present sales have been encouraged by heavy discounting under the threat of imported machines. It has never been easier to buy a tractor.

On the whole, it seems that manufacturers will have to base their plans on a sober assessment of the replacement market as against the dormant demand experienced during the 1970s.

Although the fatstock on show in the main have little relevance to market demand—Smithfield is, after all, a breeders' and not a butchers' show—the livestock sector is enjoying prices well above those fixed in the EEC guarantees. This is due to shortages particularly of beef which are maintaining prices in spite of evidence of reduced spending power.

Market demand is concentrating on the cheaper meats—pork and poultry which, with bacon, account for well over half of the country's meat consumption.

There are some pigs and their products at the show but nothing from the poultry sector. This is something the organisers might well reflect on if they wish to keep up with the times.

NEI Cochran to shed 110 jobs in closure

BY MAURICE SAMUELSON

NEI COCHRAN, Britain's leading manufacturer of shell boilers, is to close its factory at Glasgow this month with the loss of 110 jobs. It will concentrate its activities at its principal works at Annan, Dumfrieshire.

The closure is a blow to the British boiler-making industry, which had hoped its fortunes would be revived by the long-awaited switch to coal from dearer fuels.

In the first 10 months of this year, orders were running at 62 per cent of last year's level and only 47 per cent of that two years ago. From May-August 1979, manufacturers were receiving 80-90 orders a month. This year, they have been down to about 30 a month, of which only a fifth are for coal.

Mr Frank Ball, NEI Cochran's managing director, confirmed yesterday that the Glasgow works would close by Christmas.

Another 66 jobs have been lost at Annan, but 50 people are to be transferred there from a plant making small boilers at Derby bringing the total Annan workforce to about 750.

Parkinson Cowan GWB of Dudley, another boiler-making company with a high reputation, also made some 60 people redundant recently. Several other companies either have cut staff or are on short-time working.

The closures will increase pressure on the Government to widen the scope of the £50m scheme to offer grants for converting factories from oil to coal.

Mr Ball said yesterday that orders had been held up in anticipation of the grants scheme, but by the time it was launched, early in the summer, the peak season for placing boiler orders had passed.

The National Coal Board and boiler manufacturers want the grants scheme widened to cover conversions from gas as well as oil. The Coal Board would also like it to be used for converting non-boiler installations, such as kilns and furnaces.

Industry and Energy Department officials are said to support the scheme's revision, and a decision, also involving the Treasury, could be announced early in the New Year.

Rescues rise

THE NUMBER of people rescued by lifeboat around the coasts of Britain and Ireland last year was the highest since 1975, according to the annual report of the Royal National Lifeboat Institution.

EEC plans for freight criticised

By Lynton McLain, Transport Correspondent

PROPOSALS from the European Commission to encourage the use of "combined transport" to improve safety and reduce traffic congestion with tax cuts for hauliers using rail would harm British transport developments according to the report of a House of Lords committee published on Friday.

"Combined transport" describes the transfer of goods from one mode of transport to another without further handling.

European Commission proposals were designed to encourage "combined transport," make greater use of railways, save energy and reduce transport costs. However, the House of Lords committee on the European Communities said the proposals might have "undesirable results for the UK."

The draft directive from the Commission proposed a cut in taxes for the use and possession of road vehicles in proportion to the distance they are carried by rail. Vehicles that were used only for road haulage would be exempt from tax on use and possession.

In Britain, "combined transport" is almost exclusively by containers. This mode would be "very poorly supported" by the financial incentives proposed by the European Commission, the report said.

* House of Lords paper 19, Select Committee on the European Communities; Combined transport; SO; £4.35.

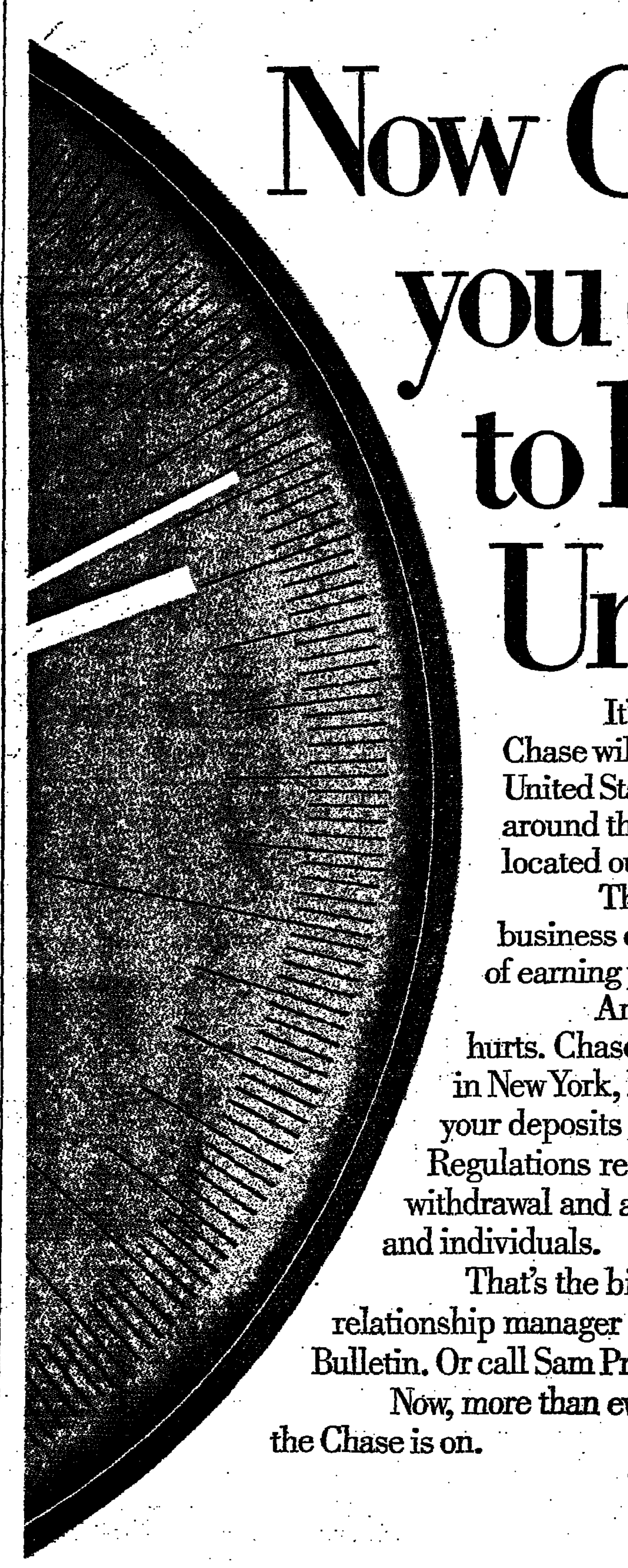
Channel Isles air fare bid

GUERNSEY AIRLINES, set up in the Channel Islands three years ago, has asked the Civil Aviation Authority to revoke Air UK's licence to fly between Gatwick and Guernsey and let Guernsey Airlines operate a "no frills" service that would knock £20 to £27 off the return fare.

Guernsey Airlines chairman Capt Roger Dadd said yesterday he believed air traffic between the UK mainland and the island would continue to decline if "an economic fare" were not introduced.

Guernsey Airlines, a sister company of the East Midlands based Inter-City Airlines, proposes to charge one basic fare, which at summer 1981 prices would be £55 return against Air UK's normal fares of £75 on weekdays and £82 at weekends.

Capt. Dadd said that to keep the fares down it was likely that passengers would have to pay for all refreshments on the flight. The airline, which uses 30 seat Short Brothers commuter aircraft, is seeking to replace Air UK on the route by November 1982.



TECHNOLOGY

EDITED BY ALAN CANE

When the total digital age dawns the twain will meet

BY GEOFFREY CHARLISH

An interesting move is afoot at ITT where it has been realised that most of the business equipment offerings, in the age of the electronic office, will not be able to talk to each other.

If you are in the telecommunications business your view of office automation and communications is likely to be rather different from the one you would take if you were in the computing business.

The general drift is now fairly well appreciated: the computer people are looking for networks that will interconnect what they have developed or intend to develop while the telecommunications people are naturally intent on exploiting the existing copper network and its established terminals and switches.

When the total digital age dawns, the twain will meet; but not just yet.

ITT Business Systems says it has identified a customer need to be able to connect the corporation's various offerings together into a scheme that will give proper integration of business communications. The three key areas in ITT's view are data, voice and text (telex in telecoms parlance at the moment). The difficulty is that they all have different communications protocols and speeds.

So the company has developed a microprocessor driven black box called an information transfer module (ITM) that can be programmed to do the various conversion jobs that arise. The product will allow most of the ITT Business Systems products to communicate using the company's 4080 PABX (private automatic branch exchange).

Peter Benstead, marketing director, sees this sort of development to be vital to future business on two counts.

The first concerns the existing customer base. Benstead discloses that in the UK alone his company has installed more than 100 of the model 3800 data switches, 10,000 screen-based terminals (200,000 world wide), 152 electronic PABXs, 3000 facsimile machines and 125,000 telex machines.

Soon, says Benstead, people will want to be able to connect them all together.

Transparent

The second issue is one of investment. Companies, he says, will simply not be prepared to throw everything away to put in the "office of the future." The emphasis—for ITT's customers at any rate—will be on the protection of existing investment.

The vital element in the new approach is a small versatile module that can be programmed to act as an interpreter between terminals and switches in any part of the network.

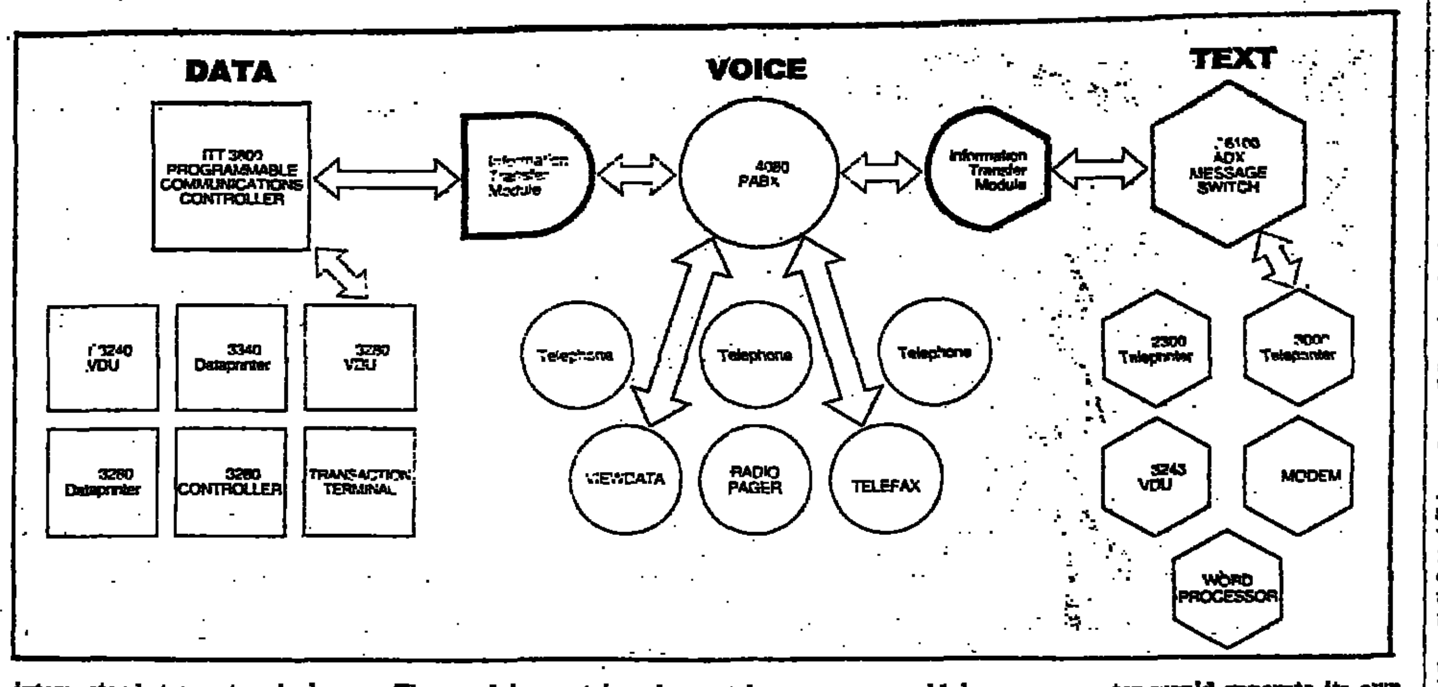
One side of the module always looks like a telephone to the voice system (the PABX). The other side is designed to be transparent to teleprinter, dataprinter, visual display unit or word processor.

The module contains devices that will convert the different signalling languages, with suitable buffer storage.

A typical use, according to Peter Breen, ITTBS director, will be in linking telex to viewdata. With an ITM placed between the telex switch and the PABX, an incoming telex message could be converted for reception on an executive's viewdata screen.

Similarly, using another module inserted between the PABX and the data switch, data entered through the keypad of a multifrequency phone could be converted by the module and fed to a computer. In response the computer would generate its own signals which the module could convert into a synthesised voice reply to be heard on the phone.

The whole thing has been dubbed "Information Transfer Technology" by the Brighton company. There are no prizes for spotting the acronym.



Neve-BBC sound-mix co-operation

A NEW development in the sound recording world was unveiled on Tuesday with the introduction of a completely digital sound-mixing desk for use in the broadcasting and the music recording industries.

Neve Electronics International, in co-operation with the BBC, has developed what is believed to be the world's first digital mixing desk which is based on computer techniques.

At present, even a modestly sized sound mixing desk which is used for balancing and blending music and voice, may have at least 4,000 control switches which are moved individually.

By using digital techniques rather than analogue which is used today, the number of control switches can be dramatically reduced, it is simpler to operate, production costs are maintained, and it offers more sophisticated facilities to the user, the company claims.

More than 70 specialist companies compete with Neve in the three market sectors for this type of equipment—broadcasting, music and film soundtrack recording.

Broadcasting is the major growth area for this type of equipment because of the increase in local radio stations.

'Metalworker'

DESCRIBED AS a "universal sheet metalworker," the model TAS 902 from Trumpf Machine Tools of St Albans (0727 31111) can perform folding, louvring, flanging and peening operations in metal and plastics sheet up to 9mm thick.

Throat depth of the C-shaped welded frame is 1250mm and exceptional rigidity and torsional strength is claimed. The machine needs no foundation.

The workpiece is held by sturdy clamps on the coordinate guide which runs on hardened and ground dovetail rails; maximum working range is 1250 x 2000mm.

(LEFT), the Martindale 666 disposable filtering facepiece respirator.

Better filter respirator for miners

BY MAX COMMANDER

AFTER trials by the Institute of Occupational Medicine and the National Coal Board a disposable filtering facepiece respirator designated the Martindale Protection 666 respirator has been approved for use by miners.

Martindale Protection of Neasden Lane North London (01-450 8561) has been in the respiratory protection business since the 1920s. Its latest model for miners has been tested for filter penetration inward leakage and dust clogging at the Institute of Occupational Medicine in Edinburgh.

Samples of the masks have now been distributed to all NCB collieries and approved by the Health and Safety Executive.

The mask is claimed to have a filtration performance which is 95 per cent efficient at filtering out particles down to 0.5 microns.

It weighs less than half an ounce, does not need a nose clip, while the filtering material consists of an electrostatically charged polypropylene sandwiched between layers of polyester fibre.

Rather in the way of an identikit profile, the shape of the respirator evolved from research into facial types. The final product showed that high humidity, breath condensation, and an ability not to ignite from sparks in grinding and fettling applications, made it suitable for other industrial applications.

In conjunction with the announcement of its new mask, Martindale opened a laboratory at Neasden, which, it claims, is the most modern in Europe devoted to the investigation of problems associated with dust in the respiratory system.

Tests being carried out in the laboratory include measurement of breathing resistance against continuous flow rates, or on a breathing simulator to provide a precise volume of air

Other tests, using a harmless sodium chloride medium, for filters and filtering materials are designed to test the leakage of contaminants through the shape and fit of the masks.

The laboratory also has a chamber to simulate typical but controlled dust atmospheres so that the degree of contamination on filters and respirators can be observed.

Computer-aided design in Japan

COMPUTER aided design and draughting systems developed by Applied Research of Cambridge will soon be in use in Japan.

ARC has formed a joint venture company with Yamagiwa Denki, called Yamagiwa ARC Inc. and the new organisation expects to sell or lease at least four systems in the first year.

The potential for British computer aided design in Japan is substantial says ARC, although the market is very competitive. Japanese architects and designers, although well aware of the technique, are said to be suffering from a delay in the development of suitable software.

Ion-selective membrane for toxic metal effluent

THE PRESENCE of metals such as cadmium, copper, lead, mercury or silver in an industrial effluent means two things: money may be going down the drain and the effluent may be toxic.

So, Sheffield City Polytechnic, with British Technology Group backing, set itself the task of designing a continuous monitoring system that would be simple to construct, rugged, not too expensive, and which would need the minimum of supervision.

An ion-selective membrane was designed consisting of a mixture of heavy metal sulphides. It is sensitive to all five of the above metals.

Effluent is continuously pumped from the waste stream and is mixed with a buffer solution. Following temperature equilibrium, the sample stream is jetted on to the membrane and falls to waste via a reference electrode, producing an electrochemical voltage. A feedback circuit controls the sample temperature.

The voltage is monitored and if a pre-set value is exceeded due to heavy concentrations of the metals, perhaps beyond some local or national legal limit, a warning light is activated.

Prospective licensees should contact Mr K Preece at BTG on 01-828 3400.

Leader extends self-centred chucks

RICHARD LEADER, the Chertsey, Surrey company which specialises in the design of self-centering power chucks for the machine tool industry, has extended its range, particularly with an 8 inch diameter front-mounted chuck with 2 inch through hole capacity.

This particular variant is described as ideal for programming into automatic machine systems. It can be supplied as standard with a set of three jaws but two and four jaw varieties are available. The range goes on display for the first time at the Johannesburg Machine Tools Exhibition from February 11 to 18 next year.

Leader is on Chertsey 62766.

BUILDING AND CIVIL ENGINEERING

Nucleus hospitals in our time

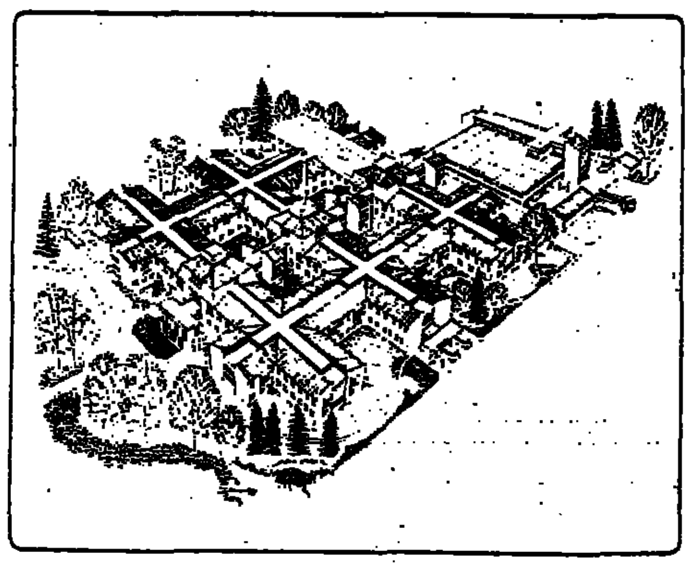
BY DEBORAH PICKERING

A CONTRACT never before tried out in the National Health Service was Mersey Regional Health Authority's deal with Bovis Construction.

This has resulted in Britain's first "nucleus" hospital to be completed. Two others are under way, but the New Chester Hospital marks the introduction of a new philosophy in hospital design, realised by Bovis's particular expertise.

Mersey RHA is the first in the country to appoint a managing contractor and, under this form of contract, work was able to start a year sooner than opting for the traditional design and tender processes required by the Department of Health.

The Bovis way of operating is where the main contractor receives a fixed percentage fee for which he provides key management personnel to coordinate and supervise construction. The actual building work is carried out as a series of sub-contracts organised by Bovis.



This artist's impression illustrates the Department of Health and Social Security's nucleus hospital principle. The "crucifix" form can be added to at later stages to meet needs created by medical research or injection of further funds.

Best deal

There are no cutting of corners in this pact — all managerial effort is directed towards the success of the job in the client's interest and, Bovis says, there is no incentive to do otherwise. The contractor's fee is his only source of profit and the client gets the best value for money.

Bovis's firebrand for the Chester hospital project is Ian MacPherson who proved, not only that the management contract system was the best choice, but saw the handing over of the completed £11.6m phase two months ahead of schedule last week.

This has a pleasant open aspect in the grounds of the West Cheshire Hospital in Liverpool Road, Chester, and as it continues to grow (a second and third phase will be added later) it promises improved services to a quarter of a million of the population.

The nucleus concept is a design which is slowly being introduced throughout the UK to provide compact, intensive use of hospitals to meet existing local needs, and which are capable of expansion in the future.

The two-storey building has a hospital street, or main corridor, at its heart, flanked on each side by "cruciform" shaped templates (two on each side) which create the basic "nucleus" building form which can take additions as and when required.

Nostalgia

What has emerged is the old-fashioned but much welcomed nostalgic quality of the cottage hospital where patients will feel more or less at home (there are beds for relations to stay overnight if necessary) and an alleviation of the natural anxiety people feel when facing treatment or surgery.

A sign of the times is allocation of sound-proofed cubicles which include one for drug and alcohol recovery!

But the emphasis is on cheerful colour schemes and furniture finishes to kill the clinical appearance of long-established hospital decor.

Own architect

Chester's new hospital grew from the Mersey Regional Health Authority's own architects' drawing board and William Nichols Associates (considered experts in this particular field) designed the pathology block. Davis Belfield and Everest were the quantity surveyors, Gifford and Partners the structural engineers, and Heare, Lee and Partners the M and E consulting engineers.

Although more and more construction companies are climbing onto the management contract bandwagon (Bovis has over half a century of experience here and was the first company to introduce the concept in the UK) Bovis feels it has successfully set a pattern for the nucleus hospitals which the Department of Health and Social Security sees as a necessary practice in the years ahead.

Wallis in Belgravia

GROSVENOR ESTATES' £3.3m contract for offices and flats, to be constructed near Sloane Square, London, SW1, has gone to G. E. Wallis.

This is a mixed package covering offices, flats and studio flats, due for completion in late 1983.

Architect for the project (at Holbein Place and Whittaker Street) is Chapman Taylor and Partners of Kensington, and quantity surveyors are Gardiner and Theobald of Bedfard Square.

Tarmac tops £16m

COMPANIES IN Tarmac Group have together won more than £16m of new work throughout the UK.

Major contract, worth £4.4m, has been won by Cubitts for offices, stores and sundry external buildings in Gould Street, Ancoats, Manchester for North West Gas. Cubitts also has a £2.7m job for fitting out buildings in Shinfield Street, London, for the BBC.

Tarmac Regional Construction is carrying out three council home improvement schemes in the West Midlands involving 194 houses at Birchwood, Birmingham (£843,000), 50 at Darlaston (£419,000) and 37 at Rugeley (£241,000).

Cubitts is also busy on 339 council homes at Hyton, Merseyside where a £418,000 project involves carrying out external painting and repairs. Its contract for £780,000 in Edinburgh is for the redevelopment and refurbishment of existing properties in Queen Street for Tarmac Properties.

Also in Scotland, Tarmac Regional is carrying out roadworks and retaining walls work in Kingsway, Dundee (£½m-plus) and building a warehouse and offices in Bellshill, Glasgow (£475,000) for Sheffield Insulation Company.

Other work awarded to Cubitts and Tarmac Regional include improvements in Dewsbury, West Yorkshire (£356,000), and reinforced concrete work at Holly Grange Reservoir near Uttoxeter (£392,000). Also preliminary civil works at Thorne Colliery, South Yorkshire (£214,000), alterations to offices in Hatton Garden, Liverpool, for Merseyside Passenger Transport Executive (£206,000) a new dairy building for Arley Estates, near Bewdley, Worc. (£205,000), and repairs to St Mary's Roman Catholic College, Wallasey, Merseyside for Shrewsbury Roman Catholic Diocesan Trustee (£110,000).

Briggs Amasco announces its biggest ever roofing and cladding contract. Worth nearly £4m, this is for work on phase two of the prestigious Heysham nuclear power station in Lancashire.

The company will be fixing the roofing and sidewall cladding on most buildings in the second phase, including the charge hall, reactor buildings, turbine hall and fuel handling sections.

Awards for Tilbury

FOLLOWING THE Prince of Wales' opening of the Tilbury-built Maritime Rescue Co-ordination Centre at Falmouth, the company's Newton Abbot office announces new contracts worth just over £1.75m.

At Stadiscombe, new changing accommodation and a social hall with car parking area is worth £320,000 from Plymouth City Engineer.

In the New Year, the company will recommence refurbishment of 13 Pentad Hangars at RNAS Culdrose at Helston in Cornwall, under a £187,000 order from the PSA.

Also, shell fishermen at Batson and Shadycombe Creeks at Salcombe, South Devon, will have a new quay and slipway under a £243,000 contract placed by South Hams District Council, while at Totnes, C. H. Dobbie and Partners (consulting engineers) have instructed the company to start a £227,000 stabilisation programme to the bank of the River Dart and the quay wall, involving steel sheet piling and ancillary works.

Balfour Beatty work

THE SOUTHERN construction division of Balfour Beatty has won new work worth over £1.3m, including a £0.3m design and construct contract for extensions to the American Can (UK) factory at Grantham.

Other schemes are a £0.24m contract from J. Sainsbury for access roads and drainage work at Chester, a £0.27m conversion of a disused store at Blackpool into a hamburger restaurant for McDonalds, and a job worth £0.4m for an active laundry building at Dungeness for the CEGB.

Concrete repair subsidiary, Whitley Moran and Company, has a £100,000 contract from the British Waterways Board for drilling, grouting and pressure pointing works on the Banavie, Cullochy and Fort Augustus Lochs on the Caledonian Canal in Scotland.

What's new in building

A BUILDING claimed to be the first in Britain to use a new technology in roof design and materials construction has been opened in London at Clifton Nurseries' Jubilee garden shop in Russell Street, part of the Covent Garden redevelopment.

Section of the architectural fabric roof over Clifton Nurseries' shop

Designed by the Terry Farrell Partnership, it uses an architectural fabric roof made from glass fibre coated with Teflon (a Du Pont registered trade mark), which has been produced and installed by Fothergill and Harvey Structures.

This architectural fabric is a permanent building material stated to have a durable, non-stick surface offering high translucency and weather resistance for long-service life (estimated at 25 years). Its low weight of 850 to 1,650 grammes per square metre and high tensile strength make it suitable for large, small and air-supported structures.

Complete packages, covering everything from design to installation, range from £40 per square metre for canopies and sunshades to £120 per square metre for large tension structures of 3,000 to 4,000 square metres. Air-supported structures of 20,000 to 30,000 square metres cost £95 per square metre.

More from Fothergill and Harvey on 06065 54900.

JONATHAN COKE-SMYTH

Designed for rapid site fixing is a prefabricated roofing and cladding system called Cascade from Broderick Structures, Forsyth Road, Sheerwater, Woking (04862).

Each panel has the attractive look of individually fixed scalloped tiles but are interlocking and made for secret fixing on vertical surfaces and roofs above 15 degrees pitch.

The maker says they can be used in all climates, including typhoon zones, will not fracture or crack, and are thief and vandal resistant.

Available in three colour-coated steels (orange, brown and blue) and stainless steel and copper.

★

COMPAIR IS extending its new lightweight range of rotary screw air compressors for construction and maintenance work with its Zitair 125 which is said to be capable of driving two heavy duty road breakers or comporable tools in simultaneuos use. Strongly built and portable it is equipped with a Deutz air cooled engine coupled with a Holman assymetric air end.

★

LAUNCHED FOR the instant buildings market is the steel, folding Pakaway suggested for use as a temporary site building requiring easy relocation, or as permanent warehouses and workshops.

Tough but lightweight—and erected or dismantled in hours—it is said to be both aesthetic and permanent in appearance. Available in an insulated version, also, it comes in three standard spans of seven, nine and 12 metres, and three standard BSC Colorcoat Steel colours.

More from Miles Brothers (Saredon), Shareshill, Wolverhampton (Cheslyn Hay 415425).

Bradford superstore

BOVIS IS building a new superstore at Buttershaw, Bradford, for Hillards of Cleckheaton under a newly awarded £2m contract. This will have a gross area of 36,700 sq ft of ground sales floor and warehouse area, and 4,000 sq ft of first floor plant and rooms. Construction will comprise a steel frame structure on concrete stanchion bases with reinforced concrete ground bearing slab.

Other new work announced by the company includes a £½m-plus scheme for Ancroft Investments to extend office accommodation in an existing warehouse at 1000 North Circular Road, London, NW2, and the building of a new retail store at Truro, Cornwall for the Boots Company.

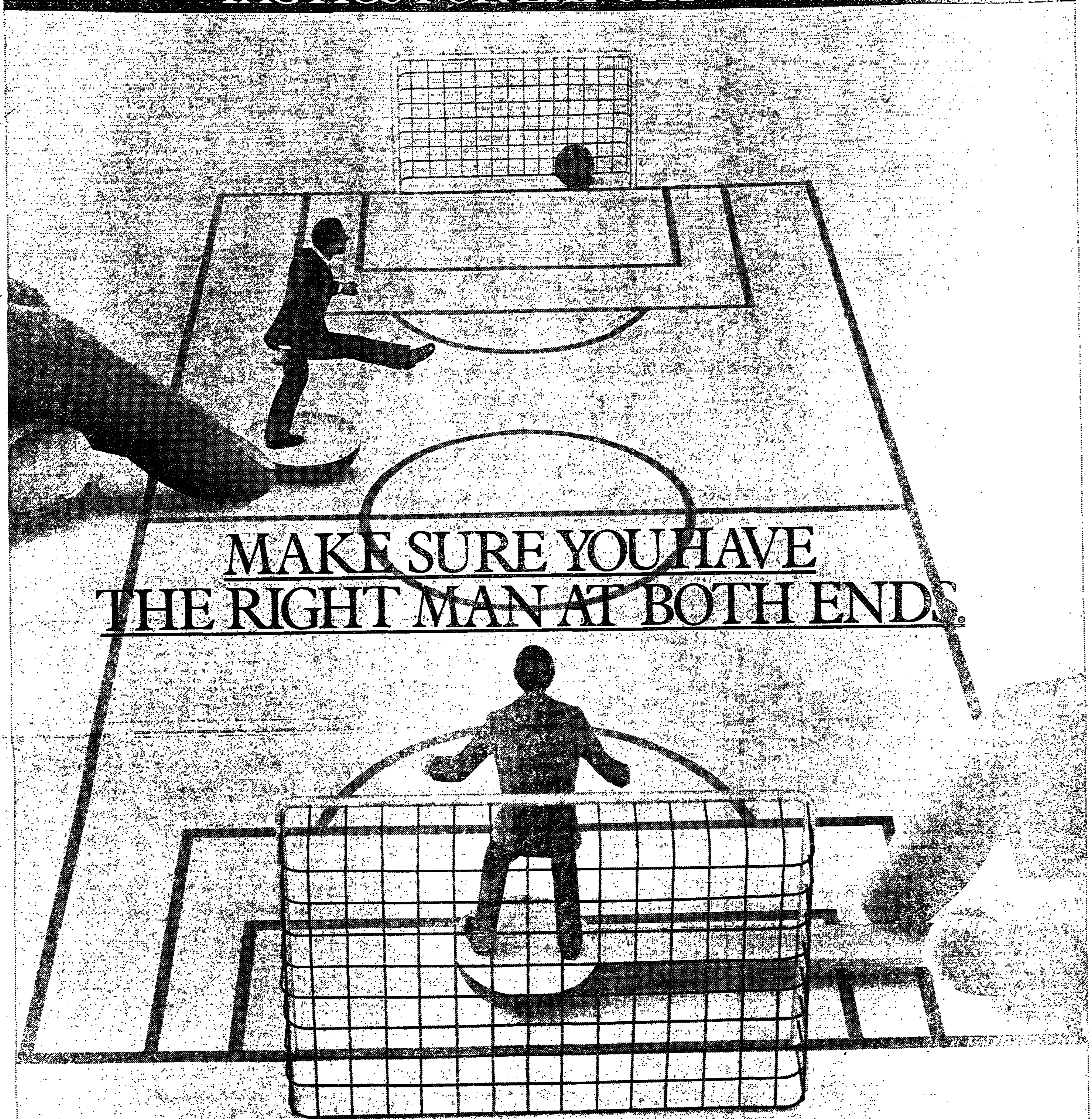
Around the industry

CONTINUOUSLY reinforced concrete roadbase is proving a winner for access roads in Milton Keynes Development Corporation's industrial development areas where a 400 metre length of 7.3 metre wide carriageway in the Linford Wood Employment Area, started last October by contractor P. J. Carey (Oval). This is the third in a row to go to crc roadbase in open tender competition with MKDC's hot-rolled asphalt alternative design.

BRITISH consulting engineers Rendel Palmer and Tritton have been appointed by the Government of the Yemen Arab Republic in Sanaa, to carry out a Transport Sector Study covering all modes throughout the country.

The four principal modal sectors in the assignment will be roads, civil aviation, ports and shipping, and public passenger transport. The result of the RPT work will assist the YAR Government in the implementation of the transport component of the 1982-86 Five Year Plan.

TACTICS FOR EXPORT GOALS.



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When you're exporting you need people on your side with the right skills. They need to be in the right place, both at home and abroad.

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Take the home end first. Somewhere near you there's one of our specialist export offices. They deal with nothing but foreign trade. We have 35 dotted around the country – that's more than any other bank can offer.

Every day they deal with export finance, ECGD policies, import regulations and all the ins and outs of exporting. They're well-qualified to help you.

At the foreign end, Barclays is also well represented. Wherever you export, we've probably got a branch there. After all, we have the biggest overseas branch network of any British bank, with 2,000 branches in 80 countries.

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Two copies of this document, having attached thereto the documents referred to below, have been delivered to the Registrar [illegible] for registration.

This document includes particulars given in compliance with the Regulations of the Council of The Stock Exchange for the purpose of giving information with regard to Cussins Property Group plc ("the Company"). The Directors have taken all reasonable care to ensure that the facts stated herein are true and accurate in all material respects and that there are no other material facts the omission of which would make misleading any statement herein whether of fact or of opinion. All the Directors accept responsibility accordingly.

Application has been made to the Council of The Stock Exchange for the Ordinary Shares of 20p each in the Company, issued and to be issued as mentioned herein, to be admitted to the Official List.

Cussins Property Group plc

(Incorporated in England under the Companies Acts 1948 to 1980 — No. 1589824)

Placing

by

Capel-Cure Myers

of

1,400,000 Ordinary Shares of 20p each at 82p per share payable in full on application.

SHARE CAPITAL

Authorised		Issued and to be issued fully paid
£1,400,000	in Ordinary Shares of 20p each	£1,097,561

INDEBTEDNESS

At the close of business on 18th November, 1981 the Company and its subsidiaries ("the Group") had outstanding secured loans of £45,000, secured indebtedness of £100,000, secured overdrafts of £568,895, contingent liabilities of £112,500 in respect of performance bonds and further contingent liabilities referred to in paragraph 10 (g) of the Accountants' Report below.

Save as aforesaid, and apart from inter-company liabilities within the Group at that date, no company in the Group had outstanding, or created but unissued, loan capital (including term loans) or any mortgages, charges, debentures or other borrowings or indebtedness in the nature of borrowing, including bank overdrafts and liabilities under acceptances (other than normal trade bills) or acceptance credits, hire-purchase commitments, guarantees or other material contingent liabilities.

DIRECTORS

Peter Ian Cussins, B.Sc. *(Chairman and Managing Director),*
Sunley House, Regent Centre, Gosforth, Newcastle upon Tyne NE3 3QW

William Malcolm Aitchison, FRICS *(Group Commercial Director),*
Sunley House, Regent Centre, Gosforth, Newcastle upon Tyne NE3 3 QW

Harry Roberts Marsham Dixon, FRIBA *(Technical Director),*
Sunley House, Regent Centre, Gosforth, Newcastle upon Tyne NE3 3QW

Anthony Ernest Swaisland, FRICS *(Group Commercial Director),*
Sunley House, Regent Centre, Gosforth, Newcastle upon Tyne NE3 3QW

SECRETARY AND REGISTERED OFFICE

George Hall,
Sunley House, Regent Centre, Gosforth, Newcastle upon Tyne NE3 3QW

BANKERS

Lloyds Bank Limited,
9-17 Collingwood Street, Newcastle upon Tyne NE99 1RH

STOCKBROKERS

Capel-Cure Myers,
Bath House, Holborn Viaduct, London EC1A 2EU
and at The Stock Exchange

SOLICITORS TO THE COMPANY

Norton, Rose, Botterell & Roche,
Kempson House, Camomile Street, London EC3A 7AN

SOLICITORS TO LEMMINGTON ESTATES LIMITED

Keenlyside & Forster,
Lloyds Bank Chambers, Collingwood Street, Newcastle upon Tyne NE1 1JL

SOLICITORS TO THE PLACING

Travers Smith, Braithwaite & Co,
6 Snow Hill, London EC1A 2AL

AUDITORS AND REPORTING ACCOUNTANTS

Deloitte Haskins & Sells *(Chartered Accountants),*
Hadrian House, Higham Place, Newcastle upon Tyne NE1 8BP
and
128 Queen Victoria Street, P.O. Box 207, London EC4P 4JX

VALUERS

Bernard Thorpe and Partners *(Surveyors and Valuers),*
Blossoms Inn, 23 Lawrence Lane, London EC2V 8DA

REGISTRARS AND TRANSFER OFFICE

Lloyds Bank Limited,
Registrars Department, Goring-by-Sea, Worthing, West Sussex BN12 6DA

LETTER FROM THE CHAIRMAN

The following is a copy of a letter to Capel-Cure Myers from Mr. Peter Cussins, the Chairman of the Company:—

Sunley House,
Regent Centre,
Gosforth,
Newcastle upon Tyne,
NE3 3QW

3rd December, 1981

Gentlemen,

INTRODUCTION

In connection with the placing of 1,400,000 Ordinary Shares of 20p each in Cussins Property Group plc ("the Company"), I am writing to provide you with information concerning the Company and its subsidiaries ("the Group").

The Group has three main areas of activity: residential development, commercial and industrial development, and the development and retention of a growing portfolio of commercial properties held for investment.

My family has been involved in the contracting industry and property development in North East England since the 1920's. The Group has its origins in Lemmington Estates Limited ("Lemmington"), which I started some ten years ago to develop residential property in the Newcastle upon Tyne area. By the mid-1970's Lemmington had become well established as a housebuilder and had generated both the necessary expertise and the financial resources to enable the Group to undertake commercial and industrial developments designed to meet the capital and income requirements of investing institutions. The Group is now of a size that a listing is a logical step in its development.

During the last five years the Group has completed nine commercial and industrial property developments ranging in size from about 10,000 to 40,000 square feet, including our first major town centre shopping complex. Such developments have in the main been pre-let to leading retail and commercial groups. It is expected that the final phases of our largest development to date, a 95,000 square foot industrial estate in Newcastle upon Tyne, will be completed next year.

The Group has retained six commercial investment properties in its own portfolio, which has shown excellent capital growth. These properties, together with further property held for development and ground rents, have recently been professionally valued at £3.28 million compared with a cost of £1.38 million. It has been my long-term objective to create a substantial commercial investment property portfolio and the Group has therefore forgone short-term development profits which if taken would have resulted in a more progressive profit record.

It will continue to be our central policy to add to our investment property portfolio in order to provide the Group with a growing asset base and an increasing rent roll.

RESIDENTIAL DEVELOPMENT

I see a continuing need to adopt a flexible approach to the changing requirements of the housing market. For this reason we do not carry a large land bank. It is our policy to acquire prime quality sites which Lemmington, our housebuilding subsidiary, can develop with the minimum of delay. We have always placed great emphasis on design, standards of workmanship and fair pricing and consider that these have been the principal factors enabling us to maintain a healthy level of reservations and sales, ahead of our production schedule. Properties are offered for sale at a fixed price at an early stage in their construction and this gives purchasers time to sell their existing properties or arrange any necessary finance. This also enables building work to be completed without delaying the development programme.

I have always believed that it is better to build high quality houses with good profit margins, rather than feel bound to pursue high volume turnover with its attendant risks. Over the past ten years Lemmington has built and sold over 1,000 houses at some 20 locations in the North East. Details of sales in the past five and a half years are given in paragraph 9 of the Accountants' Report. We currently own 12 sites with planning permission for a total of 310 units. At 31st October, 1981 280 units were at various stages of development on 9 sites and of these 16 units were under contract to be sold, a further 68 reserved subject to contract, 12 ready for sale but not reserved or under contract and 184 had not been released for sale. It is our policy to take profits on our houses on completion of the sale.

Most of our properties sell in the £22,000 to £40,000 price range, although we are at present building a limited number which sell for around £70,000. Our houses are marketed through estate agents and all carry the National House Building Council's ten year protection certificate. I believe that our houses are built to high standards of craftsmanship. This is assisted by the fact that many of our employees have been with us for a number of years; indeed, some were previously employed by my father's construction company.

We have a forward building programme which at current rates of development will ensure a full workload into 1983. Further sites which are suitable for development by Lemmington have already been identified for potential purchase.

INVESTMENT PROPERTIES

As stated above the Group has retained six developments to form the nucleus of its investment property portfolio. These properties, together with Handyside Arcade, Phases II and III of Fenham Barracks and ground rents, appear in the valuation below at an aggregate amount of £3.28 million compared with an original cost of £1.38 million. The current net annual rents receivable from the six investment properties, Handyside Arcade and ground rents are approximately £172,000. The current estimated net annual rental value is approximately £271,000.

COMMERCIAL AND INDUSTRIAL DEVELOPMENTS

It is our policy to undertake commercial and industrial property developments designed for sale to investing institutions or for retention in our own portfolio of investment properties. Since 1976 nine commercial and industrial schemes, including Phase I of Fenham Barracks, have been completed and a further development is nearing completion. Six have been retained as investment properties and four sold or contracted to be sold to investing institutions. These developments have all been in the North East except for the Rankin Gait Centre at Carluke in Lanarkshire.

The Group has found and developed a number of store sites for leading retailers. Boots has occupied three of the units and Allied Suppliers has leased two of our stores and has agreed in principle to become the major occupant of a projected town centre development in the North East. We plan to expand our connections with major retailers and to undertake some future developments outside the North East. Commercial and industrial property developments undertaken by the Group to date are summarised below:—

Property	*Type of development*	*Development commenced*	*Cost of development £'000*	*Date of sale*	*Sale proceeds or valuation at 18th November, 1981 £'000*
Caistron House, Newcastle upon Tyne	offices and shopping	July, 1976	140	retained	640
Front Street, Chester-le-Street	shopping	August, 1977	222	retained	1,125
Regent Farm Road, Gosforth	shopping	July, 1979	152	retained	200
Brunel Street I, Newcastle upon Tyne	warehousing	November, 1978	108	May, 1979	151
Alnwick, Northumberland	shopping	July, 1979	257	March, 1980	305
Arthurs Hill, Newcastle upon Tyne	shopping	February, 1980	146	retained	335
Brunel Street II, Newcastle upon Tyne	warehousing	December, 1979	57	retained	70
Fenham Barracks I, Newcastle upon Tyne	industrial	January, 1980	398	retained	540
Consett, County Durham	shopping and offices	March, 1980	1,387	April, 1981	1,726
Rankin Gait Centre, Carluke	shopping	June, 1981	570 (estimated)	December, 1981	815

Current Developments

Fenham Barracks, Newcastle upon Tyne

This development of an industrial and warehouse complex on a seven acre site, one mile from the city centre, is leased from Newcastle City Council for a term of 125 years. The total development is 95,000 square feet to be constructed in three phases, of which Phase I, comprising 30,000 square feet, is now complete. Crown Paints occupy one of the units and terms, subject to formal lease, have been agreed with a number of other tenants. Phase II, comprising 50,000 square feet, is due to be completed during 1982. Terms have been agreed, subject to formal lease, for the whole of Phase III, comprising 15,000 square feet, to be let to Lloyds Bank Limited and Midland Bank Limited. Construction of Phase III is due to commence in the spring of 1982 for completion by the end of the year. We intend to retain the whole of this development in our investment portfolio.

Rankin Gait Centre, Carluke, Lanarkshire.

This town centre site totals some 22,000 square feet. The development, which it is expected will be completed by the end of 1981, will consist of a supermarket, which has been let to Allied Suppliers, and four shop units. It has been pre-sold to Scottish Metropolitan Property.

Future Developments

The Group owns one site scheduled for future development:

Handyside Arcade, Percy Street, Newcastle upon Tyne

This freehold two storey retail arcade comprises some 40,000 square feet in the city centre. It is intended that these premises be refurbished and reconstructed to institutional standards to provide 36 shop units. Outline planning consent has been obtained to construct an elevated pedestrian mall integrating the new scheme with Eldon Square, Newcastle's main shopping centre.

Whilst the Group is constantly investigating other potential developments, which may therefore take precedence, it is presently expected that the future developments below will be undertaken over the next two to three years. The Group has agreed, subject to contract, to take ground leases on the following three sites:—

Stamfordham Road, Newcastle upon Tyne

Outline planning consent has been obtained for the development of a 20,000 square feet retail warehouse on this leasehold site. Terms have been agreed in principle to let the completed development to B & Q Retail, a subsidiary of F. W. Woolworth and Co.

Henry Street, Gosforth, Newcastle upon Tyne

This site links into the existing Regent Centre, which is a prime office location in the North East and is close to the metro station. Detailed planning consent has been granted for the Group to develop 10,000 square feet of office space.

John Dobson Street, Newcastle upon Tyne

This site is situated in a central location close to Newcastle Civic Centre and Northumberland Street, the main shopping thoroughfare. A detailed planning application has been made to construct an office block of some 32,000 square feet, together with integral car parking facilities.

PREMISES AND PLANT

The Group's head office is at Sunley House, Regent Centre, Gosforth, Newcastle upon Tyne, where leasehold premises totalling approximately 2,100 square feet are occupied. Certain general plant, of which the major items are mechanical diggers, is owned by the Group and other equipment is hired as and when required.

MANAGEMENT AND STAFF

I am 32 and Chairman and Managing Director. After graduating in Economics I started the business of Lemmington in 1971. I have overall responsibility for managing the Group and for financial control and strategy. I have a four year service agreement with the Company (Contract No. (5) below).

The other Directors are Mr. W. M. Aitchison, Mr. H. R. M. Dixon and Mr. A. E. Swaisland. Although they have only now been appointed Directors, each has been associated with the business of the Group for a number of years and has made a considerable contribution to its expansion. Mr. Aitchison and Mr. Swaisland have both been connected with the Group's development activities since 1976 and were minority shareholders in the Group's two principal commercial development subsidiaries, Ridsdale Developments Limited and Lemmington

Developments Limited, respectively. Mr. Dixon has been responsible for designing all our residential developments and the majority of our commercial schemes.

Mr. Aitchison is 46 and is a member of the Royal Institution of Chartered Surveyors. He has held senior appointments in Local Government, in the course of which he was involved with a large number of commercial and industrial developments, including the highly successful Eldon Square shopping centre in Newcastle upon Tyne. In 1977 he resigned as Deputy City Estate and Property Surveyor for Newcastle City Council to establish his own practice in the Newcastle area. He has today been appointed one of the two Group Commercial Directors, having overall responsibility for the acquisition, leasing and management of industrial and residential developments. His three and a half year service agreement with the Company (Contract No. (6) below) will permit him to devote a limited amount of time during 1982 to complete his withdrawal from private practice.

Mr. Dixon is 57 and has been an associate of the Royal Institute of British Architects from 1954 and a Fellow since 1969. He was a principal in private practice for 18 years until on 1st January, 1980 he joined the Group, with which he had been involved since its earliest days. As Technical Director he is responsible for the overall design and construction of all developments from their initial conception to completion, although outside architects are also employed. He has a three year service agreement with the Company (Contract No. (7) below).

Mr. Swaisland is 37 and has been a member of the Royal Institution of Chartered Surveyors since 1969. He joined a firm of chartered surveyors in the North East in that year and in 1971 formed his own practice. He has today been appointed a Group Commercial Director and has responsibility for development policy and the acquisition, leasing and management of commercial developments and investments. His three year service agreement with the Company (Contract No. (8) below) will initially permit him to devote such limited time as may be necessary to reorganise and become a consultant to his existing practice. It is envisaged that at a future date he will become a full-time Director of the Company.

Mr. G. Hall and Mr. J. R. Anderson have been employed by Lemmington for 8 and 4 years respectively. They are Directors of that company and are responsible for cost control and contract management.

Mr. M. P. Windle, A.C.A., joined the Group on 1st December, 1981 as Group Accountant. He is 27 and was formerly employed by Deloitte Haskins & Sells in Newcastle upon Tyne, in which capacity he dealt with the affairs of the Group.

The Group has approximately 130 employees, of whom some 15 are administrative staff and the remainder are employed on our various sites. We have always placed particular emphasis on establishing good relations with our employees and consider our turnover of staff to be low for the industry. We are particularly fortunate in having six experienced site managers. Specialist sub-contractors are used as and when necessary.

The Group operates its own pension scheme for senior employees.

WORKING CAPITAL

The Directors are of the opinion that, taking into account available bank facilities, the Group has sufficient working capital for its foreseeable requirements, having regard to the anticipated time scale of the above proposed developments.

FINANCIAL RECORD, PROFIT FORECAST AND DIVIDENDS

The turnover and profits for the last five and a half years ended 30th June, 1981 are set out in the Accountants' Report below. Profits before taxation in earlier years reflect the retention of commercial developments as investment properties while in 1977 profits were increased by the completion of a large housing contract for a local authority.

On the basis of the assumptions set out below and in the absence of unforeseen circumstances the Directors, having regard to the profit earned in the six months ended 30th June, 1981 and to subsequent management information, forecast that the historical cost profit before taxation and extraordinary items for the current financial year ending 31st December, 1981 will be not less than £1,200,000.

It is expected that if an amount of £600,000 were added to the above forecast profit, representing the estimated unallocated Group overheads for the year, some 57 per cent. of the resultant total will be provided by residential developments, and 33 per cent. by commercial developments, the balance being provided by rental income.

On the basis of the above profit forecast, the Directors intend to recommend in respect of 1981 the payment in May 1982 of a final dividend of 2.9p per share (4.14p including the related tax credit).

Had the Company been a public company for the whole of 1981 and had a similar level of profit been earned, the Directors would have expected to recommend dividends totalling 4.9p per share (7p including the related tax credit), payable as to 2.0p as an interim dividend in November and 2.9p as a final dividend in May. The following table sets out, by way of illustration only, how a profit before taxation of £1,200,000 would be appropriated assuming corporation tax charges of 52 per cent. and 38 per cent. (the latter being the effective rate expected to be applicable for the year ending 31st December, 1981). The figures assume total dividends of 4.9p per share.

	Corporation Tax at 52%	Corporation Tax at 38%
	£'000	£'000
Profit before taxation	1,200	1,200
less: taxation	624	456
Profit after taxation	576	744
less: dividends	269	269
Retained profit	307	475
Earnings per share	10.50p	13.56p
Price/Earnings ratio	7.8	6.0
Gross dividend yield	8.54%	
Cover for dividends	2.1 times	2.8 times
Net asset value per share (based on the balance sheet as at 30th June, 1981 set out in paragraph 10 of the Accountants' Report)	80.5p	

In accordance with the Statement of Standard Accounting Practice 16 — Current Cost Accounts — the Group will be publishing supplementary Current Cost Financial Statements in respect of the year ending 31st December, 1981. Having regard to the historical cost profit forecast above and the assumptions upon which it is based, the Directors forecast that the current cost profit before taxation for the year ending 31st December, 1981 will be not less than £950,000.

CURRENT TRADING

The current business and financial climate has inevitably affected demand for commercial and industrial property. Our policy in relation to new developments is highly selective. These have to meet our financial criteria and are not normally undertaken until major pre-lettings have been agreed in principle.

The immediate outlook for the housebuilding industry is uncertain, but our policies have enabled us to maintain sales at satisfactory levels. This has been achieved without recourse to costly incentive schemes. In October we released 32 plots for sale on a new development and received 18 reservations within a fortnight, which is encouraging. Our policies of not carrying a large land bank and of financing our development programme mainly from retained profits result in borrowings that are comparatively modest.

THE FUTURE

It is too early to make any forecast of either the level of house sales or of Group profits for 1982. The year should see a substantial increase in our rental income both from reviews and new lettings and we have a full workload of residential developments through to the early part of 1983. In addition to the development projects outlined above we have plans under negotiation for a major re-development of a town centre in the North East.

Whilst the underlying trend of the Group's past profits record has been firmly upward, it has been uneven, due principally to the effect of decisions to sell or retain completed commercial or industrial developments. However, as the Group's increasing rental income assumes greater significance this unevenness should gradually diminish and we are confident that the underlying upward trend of profit will continue.

Yours faithfully,
P. I. Cussins,
Chairman and Managing Director

VALUATION

There is set out below a copy of a valuation of the Group's properties by Bernard Thorpe and Partners, Surveyors and Valuers:—

Blossoms Inn,
23 Lawrence Lane,
London EC2V 8DA

The Directors,
Cussins Property Group plc,
Sunley House,
Regent Centre,
Gosforth,
Newcastle upon Tyne NE3 3QW

3rd December, 1981

Gentlemen,

In accordance with your instructions we have now completed an inspection of the properties set out in the attached schedule and owned by companies in the group of which Cussins Property Group plc is the holding company ("the Group") in order to report to you as to their current open market value. The Investment properties are valued as at 16th November, 1981 and all other properties are valued as at 31st October, 1981.

The investment properties have been valued subject to and with the benefit of existing leases, taking into account the rent review provisions therein. In most cases, we have examined copies of the original documents; otherwise we have relied on the information which has been supplied to us by yourselves, the solicitors acting for companies in the Group or your other professional advisers. We have valued the land available for residential development with the appropriate planning consents and with vacant possession. There have been added, where appropriate, the sums that you state have been expended as at 31st October, 1981. The schedule includes the amounts that we are advised, by yourselves or your professional advisers, have still to be expended to complete all current developments, together with the Group's estimates of completion dates and the capital value of the relevant properties when completed for sale or lease.

In each case we have valued the properties on an open market value basis having regard to both the "Guidance Notes on the Valuation of Assets" issued by The Royal Institution of Chartered Surveyors in August 1976 and April 1981 and "Admission of Securities to Listing" issued by the Council of The Stock Exchange in April 1981. In arriving at our valuation we have not had regard to any present or possible future Capital Gains Tax or Development Land Tax liabilities, nor have we made any allowance for the expenses of realisation. We have excluded from our valuation all residential properties under contract for sale by companies in the Group as at 31st October, 1981.

We have been provided in each case with copies of planning consents. In addition we have made the appropriate enquiries of Local Authorities regarding planning proposals, compulsory purchase and road widening, the answers to which have been obtained either in writing or orally. We have assumed that the information with which we have been provided is correct.

In no case have we carried out structural surveys, nor have we been able to inspect those parts that are covered, unexposed or inaccessible. We are unable to report therefore that any of the properties are free from defect. We have not arranged for any investigation to be carried out to determine whether or not high-alumina cement or calcium chloride additive or any other deleterious material has been used in the construction of the properties and we are therefore unable to report that the properties are free from risk in this respect. For the purpose of this report we have assumed that any such investigation would not disclose the presence of any such material in any adverse conditions.

In all cases where a company in the Group has or is in the process of acquiring a freehold or a feudal title we have had confirmation from the solicitors acting for companies in the Group that this is the case and that the titles do not contain any unduly onerous or unusual restrictions (save as referred to in respect of property 22 in the attached schedule), although we have not inspected the title deeds. Where long leasehold interests are held, we have been provided with copies of the leases.

We have valued all the properties to which reference is made in the attached schedule in accordance with the assumptions to which we refer above. In our opinion as at the respective dates referred to above the current open market value of the interests in the properties, subject to and with the benefit of the existing leases where they exist and otherwise with the benefit of vacant possession, is fairly represented in the sum of £6,069,450.

Our valuations, which are set out in detail below, are summarised as follows:—

1. **Part A—Properties held as investments**

These properties have been valued at £2,966,200. The present net annual income is £148,572. The current total estimated annual rental value is £248,218.

2. **Part B—Properties being developed**

The commercial developments have been valued at £497,000 to which should be added £1,069,000 remaining to be expended on construction. The estimated capital values when completed and let will be £2,100,000. This figure includes the sum of £850,000 for the Carluke development and Missives are exchanged for a sale of it at that price.

The residential developments have been valued at £2,302,000 with a sum of £4,611,000 remaining to be expended on construction. The total estimated value when completed for sale is £8,759,000.

3. **Parts C & D—Properties held for future development and properties occupied primarily by a Group company**

The total value of these properties is £304,250.

4. There are a total of 18 freehold properties and a number of freehold properties producing ground rents together having an aggregate value of £5,072,700 and 5 leasehold properties having an aggregate value of £996,750.

Neither the whole nor any part of this valuation certificate or any reference thereto may be included in any published document, circular or statement nor published in any way without our written approval to the form and context in which it may appear.

The following is the schedule referred to in the valuation certificate above:—

PART A—Properties held as investments

(i) Commercial properties

Property	Description, age and tenure	Terms of existing tenancies	Current net annual rents receivable	Current estimated net annual rental value	Capital value in existing state
			£	£	£
1. Front Street, Chester-le-Street, County Durham	Part two-storey retail development comprising a supermarket having a total area of approximately 7,160 sq. ft. and a store having a total area of approximately 10,942 sq. ft. Public car parking is provided at the rear. Property built in 1977. Freehold.	Supermarket let to Amos Hinton & Sons Limited for a term of 25 years from 1st March, 1978 at £22,750 per annum with five year upward only reviews on full repairing and insuring covenants. Store unit let to Boots the Chemist Limited for a term of 25 years from 1st February, 1978 at £31,000 per annum with five year upward only reviews on full repairing and insuring covenants.	53,750	75,800	1,125,000
2. Caistron House, Acorn Road, Newcastle upon Tyne	Two-storey retail and office block comprising supermarket and two shops with offices above which are subject to a restricted user. Property built in 1976. Freehold.	Supermarket and adjoining shop having a total area of about 7,460 sq. ft. let to Laws Stores Limited for a term of 25 years from 1st February, 1977 at £19,250 per annum. Shop having an area of approximately 1,030 sq. ft. let to Co-op Laundries Limited for a term of 25 years from 1st February, 1977 at £3,250 per annum. First floor offices having an area of 1,390 sq. ft. let to Anderson & Haggie for a term of 25 years from 1st February, 1977 at £2,500 per annum. First floor offices having an area of approximately 1,005 sq. ft. let to W. M. Aitchison for a term of 25 years from 1st February, 1977 at £1,750 per annum. All leases contain five year upward only reviews and full repairing and insuring covenants.	26,750	46,750	640,000
3. Phase I, Fenham Barracks, Barrack Road, Newcastle upon Tyne	Newly completed single storey compartmented industrial block having a total area of 30,000 sq. ft. that is capable of being divided into units from 2,500 sq. ft. upwards. Property built in 1980/81. Leasehold for a term of 125 years from 16th November, 1981 at a ground rent of £5,526 per annum subject to five year upward only rent reviews to 12½ per cent. of rack rental value.	Unit No. 2 let to Crown Paints Limited for a term of 25 years from 16th November, 1981 at £5,000 per annum with five year upward only reviews on full repairing and insuring covenants.	(526)	52,000	540,000
4. Brunel Street, Newcastle upon Tyne	Single storey industrial unit having an area of approximately 4,070 sq. ft. Property built in 1979/80. Leasehold for a term of 99 years from 8th May, 1979 at £900 per annum with five year upward only reviews to 20 per cent. of rack rental received.	Let to Cape Automotive Products Limited for a term of 25 years from 8th May, 1980 at £7,650 per annum with five year upward only reviews on full repairing and insuring covenants.	6,750	7,150	70,000
5. Regent Farm Road, Gosforth, Newcastle upon Tyne	Single storey premises originally built as a garage showroom, workshop and lock-up garages within an enclosed yard which have been converted into a retail D.I.Y. shop and store having a total area of approximately 10,100 sq. ft. Property built in 1958. Freehold.	Let to Timberland Limited for a term of 20 years from 21st November, 1979 at £20,000 per annum with five year upward only reviews on full repairing and insuring covenants.	20,000	22,500	200,000
6. Stanhope Street, Arthurs Hill, Newcastle upon Tyne	Single storey supermarket having a total area of approximately 10,350 sq. ft. together with parking facilities at the rear. Property was built in 1980. Leasehold for a term of 99 years from 1st April, 1981 at £8,100 per annum subject to upward only reviews related to present ground rent plus 17 per cent. of the occupational rent in excess of £46,285 per annum.	Let to Allied Suppliers (Properties) Limited for 35 years from 1st April, 1981 at £40,000 per annum with five year upward only reviews on full repairing and insuring covenants.	31,900	31,900	335,000

(ii) Residential properties

Property	Description, age and tenure	Terms of existing tenancies	Current net annual rents receivable	Current estimated net annual rental value	Capital value in existing state
7. Ground Rents	13 parcels (323 properties) developed by a group company reserving ground rents secured on modern estate houses and flats. All ground rents are receivable under 999 year leases. Freehold.	The individual amounts payable vary from £20 to £35 per annum. Of the total, 39 properties presently produce an income of £1,365 per annum which will rise to £2,730 per annum after 21 years and a further 23 properties produce £805 per annum which will rise to £1,610 per annum after 25 years. The remainder do not increase.	9,948	12,118	56,200
			149,098		
			(526)		
			148,572	248,218	2,966,200

PART B—Properties being developed

(i) Commercial properties

Property	Description age and tenure	Tenancies arranged	Capital value in existing state	Estimated completion and occupation dates	Estimated cost of completing development	Estimated net annual rents when completed and let	Capital value when completed	Capital value when completed and let
			£		£	£	£	£
8. Rankin Gait Centre, High Street and John Street, Carluke, Lanarkshire	New retail development under construction comprising a recently completed supermarket on ground floor and basement with a total area of approximately 14,330 sq. ft., together with four retail shops on ground and first floors containing a total area of 4,180 sq. ft. Tenure — missives exchanged for the purchase of a feudal title.	Missives are exchanged for the grant of a full repairing and insuring lease to Allied Suppliers (Properties) Limited for a term of 35 years from 28th October, 1981. Rent of £60,000 per annum becomes payable by Allied Suppliers four months after either the supermarket is opened for trading or 28th February, 1982, whichever is the earlier. The rent is subject to five year upward only reviews. The shops are now being marketed at a total rental of £25,000 per annum.	447,000	December 1981	178,000	85,000	850,000	850,000

N.B. A completed agreement exists with Scottish Metropolitan Property Company P.L.C. ("SMP") which will, subject to the prior acquisition by Lemmington Developments Limited of the feudal title and of all necessary planning consents, purchase that Company's interest on 2nd February, 1982 at a figure of £850,000 together with five years purchase of any additional income in excess of £85,000 per annum achieved at that time, less costs and subject to an agreement by Lemmington Developments Limited to pay SMP any shortfall in annual rental income below £25,000 from the presently unlet shop units. This liability extends for a maximum period of 25 years from the later of 2nd February, 1982 or the date of completion of the development (the "settlement date"), and includes an obligation, at the request of SMP, if the rental shortfall has not been made up by 12 months after the settlement date for Lemmington Developments Limited to take up a lease or leases of the unlet shop units for 25 years from the settlement date, such lease or leases to be subject to five yearly open market rent reviews.

Property	Description age and tenure	Tenancies arranged	Capital value in existing state	Estimated completion and occupation dates	Estimated cost of completing development	Estimated net annual rents when completed and let	Capital value when completed	Capital value when completed and let
			£		£	£	£	£
9. Phases II and III, Fenham Barracks, Barrack Road, Newcastle upon Tyne	An industrial/warehouse site comprising the major part of an overall area of 7 acres for which planning consent was granted on 7th September, 1979. The second phase will comprise 50,000 sq. ft. and a third phase, 15,000 sq. ft. of compartmented single storey industrial accommodation. An agreement for lease has been entered into providing for the grant of individual ground leases on completion of the building works or 11th November, 1983, whichever is the sooner, at ground rents of £9,210 and £2,764 per annum respectively subject to five year upward only rent reviews to 12½ per cent. of rack rental value, with a peppercorn payable in the meantime.	Nil	50,000	December 1982	891,000	112,450	1,030,000	1,250,000
			497,000		1,069,000	197,450	1,880,000	2,100,000

(ii) Residential properties

Property	Description, age and tenure	Tenancies arranged	Capital value in existing state	Estimated completion and occupation dates	Estimated cost of completing development	Capital value when completed for sale
			£		£	£
10. Elmfield Court, Ashington, Northumberland	Approximately 3.7 acres. An extension to an earlier development by the Group in this area. 24 units at varying stages of construction remaining out of a total of 31 units. Planning consent granted 19th February, 1981. Freehold.	none	314,000	June 1982	230,000	681,000
11. Waterford Green, Ashington, Northumberland	Approximately 11.09 acres on the fringe of Ashington in an established residential area. 6 completed units remaining out of a total of 104 units. Planning consent granted 23rd May, 1979. Freehold.	none	81,000	June 1982	50,000	184,000
12. York Avenue and Belsfield Gardens, Jarrow, Tyne and Wear	Infill site of approximately 0.45 acres with 6 units under construction adjacent to property 13 below. Planning consent granted 6th November, 1980. Freehold.	none	38,000	June 1982	119,000	189,000
13. Oakdale, Jarrow, Tyne and Wear	Approximately 6.62 acres. 19 units at varying stages of construction remaining out of a total of 70 units. Planning consent granted 12th June, 1980. Freehold.	none	297,000	June 1982	130,000	556,000
14. Mayfield, Jarrow, Tyne and Wear	Infill site of approximately 1 acre. 15 units at varying stages of construction. Planning consent granted 27th November, 1980. Freehold.	none	180,000	June 1982	72,000	363,000
15. Gosforth Park, Newcastle upon Tyne	Approximately 4.38 acres of prime building land in an established residential area. Construction started on 40 units to include 4-storey block of 12 flats. Planning consent granted 19th June, 1981. Freehold.	none	288,000	June 1983	1,435,000	2,131,000
16. Frenchmans Fort, South Shields, Tyne and Wear	Approximately 5.20 acres of building land on the fringe of South Shields in an established residential area. Planning consent for 58 units granted 3rd September, 1981. Freehold.	none	229,000	June 1983	1,039,000	1,633,000
17. Rosemount, Westerhope, Tyne and Wear	Infill site of approximately 1.35 acres. 7 units at varying stages of construction remaining out of a total of 14 units. Planning consent granted 3rd April, 1980. Freehold.	none	150,000	June 1982	16,000	209,000
18. Sunningdale, Whickham, Tyne and Wear	Approximately 8.10 acres. 2 completed units remaining of this earlier phase of current development, comprising property 19 below. Planning consent granted 22nd September, 1978. Freehold.	none	49,000	December 1981	NIL	57,000
19. Westfield, Fellside Park, Whickham, Tyne and Wear	Approximately 10.57 acres. Extension to adjacent estate recently completed by the Group. 89 units at varying stages of construction. Planning consent granted 13th October, 1980. Freehold.	none	676,000	June 1983	1,520,000	2,756,000
			2,302,000		4,611,000	8,759,000

PART C—Properties held for future development

Property	Description, age and tenure	Terms of existing tenancies	Estimated current net annual rents receivable	Capital value in existing state
			£	£
20. Front Street, Bedlington, Northumberland	Approximately 0.15 acre site adjoining Laws Stores Supermarket in the main shopping area. Planning consent granted on 9th January, 1980 for a 3-storey block of 11 flats. Freehold.	none	NIL	17,500
21. The Fernes, Broomhill, Northumberland	Infill plot for development for 9 units as part of approximately 1.45 acres for 23 units, of which 14 have been constructed and sold. Planning consent granted 5th October 1976. Freehold.	none	NIL	5,000
22. Land at rear of The Turrets, Gosforth, Newcastle upon Tyne	Site of approximately 0.93 acres. Planning consent granted on 23rd October, 1981 for 10 residential units. There are restrictive covenants as to the number and quality of houses and the provision of access has yet to be formally documented. There is also a planning consent dated 23rd October, 1981 for a synagogue, caretaker's flat and car park on part of the site. Freehold.	none	NIL	20,000
23. Handyside Arcade, Percy Street, Newcastle upon Tyne	Part 3-storey and part 2-storey block built approximately 80 years ago to provide shops and offices on the Percy Street frontage together with a 'U' shaped arcade providing retail accommodation at ground and first floor levels. Planning consent for the provision of a pedestrian bridge link to the Eldon Square shopping centre granted on 13th February, 1981. Freehold.	94 units. 7 units vacant. 57 tenancies cover the remaining units. The majority of the tenancies have either expired contractually or so expire on or before 1982 or are held on periodic tenancies. A minority expire after 1982, the last in 1988. No new tenancies have been granted.	Approximately 23,000	260,000
			Approximately 23,000	302,500

PART D—Properties occupied primarily by a Group company

Property	Description, age and tenure	Capital value for existing use
24. 7th Floor, Sunley House, Regent Centre, Gosforth, Newcastle upon Tyne	Entire 7th floor of a modern purpose built office block. Total area of approximately 3,422 sq. ft. Full repairing and insuring lease for 25 years at £12,244 per annum from 25th March, 1974. Five year upward only rent reviews. Approximately 1,276 sq. ft., sub-let to American Air Filter Company Inc. for 25 years less 11 days at £5,000 per annum from 25th March, 1974. Five year upward only rent reviews on full repairing and insuring covenants.	£1,750

Yours faithfully,
Bernard Thorpe and Partners,
Surveyors and Valuers.

ACCOUNTANTS' REPORT

The following is a copy of a report by Deloitte Haskins & Sells, Chartered Accountants, the auditors of the Company and the reporting accountants:—

The Directors,
Cussins Property Group plc

The Partners,
Capel-Cure Myers

3rd December, 1981

Gentlemen,

INTRODUCTION

1. *Cussins Property Group plc ("the Company") was incorporated as a private company* on 7th October, 1981. It was re-registered as a public company on 2nd December, 1981, and, as part of a reconstruction, acquired the issued share capital of Peter

Cussins Limited ("Cussins") on a share exchange basis on 16th November, 1981. The Company and its subsidiaries are referred to as "the Group".

2. The percentage share capital of the subsidiaries owned by Cussins since incorporation or acquisition is as follows:

Lemmington Estates Limited	100
Ridsdale Developments Limited	75
Lemmington Developments Limited	
57 per cent up to 1st August, 1979; thereafter	75
Rosscharm Limited (subsidiary of Lemmington Developments Limited)	75
Vivian Linacre Estates (North East) Limited (subsidiary of Rosscharm Limited)	75
Alnham Services Limited	100

On 3rd December, 1981 the Company entered into conditional agreements to acquire the shares representing the outstanding minority interests (25 per cent in each case) in Ridsdale Developments Limited and Lemmington Developments Limited not already owned by Cussins.

3. We have been auditors of Cussins and all its subsidiaries throughout the period covered by this report.

4. The Company has not prepared any financial statements other than to support its re-registration as a public company. No financial statements have been prepared for any other members of the Group in respect of any period subsequent to 30th June, 1981.

5. We have examined the financial information, set out in paragraphs 8 to 11 below, which is based on the audited financial statements of the companies in the Group adjusted to reflect:
(a) the reconstruction of the Group as if the Company had been in existence at 30th June, 1981 and all the subsidiaries had been wholly owned throughout the period covered by this report;
(b) the estimated expenses of obtaining a listing on The Stock Exchange for the issued share capital of the Company; and
(c) the change in accounting policy in taking profit on the sale of houses which is explained in paragraph 8(c) below

and after making such further adjustments as we consider appropriate for the inclusion of this report in the prospectus of the Company to be dated 3rd December, 1981. The audited financial statements have been prepared on the basis of the accounting policies set out in paragraph 8 below and (except for the accounting treatment of investment properties prior to 31st December, 1980 which is explained in paragraph 8(d) below) in accordance throughout with standards approved by the accountancy bodies in the United Kingdom as applicable to any part of the accounting periods dealt with herein.

6. In our opinion the information set out in paragraphs 8 to 11 below gives, for the purposes of the prospectus, a true and fair view of the profits and source and application of funds of the Group for the five years and six months ended 30th June, 1981 and of the state of affairs of the Company and of the Group at 30th June, 1981.

7. We have examined the abridged current cost information for the Group for the year ended 31st December, 1980 and the six months ended 30th June, 1981. This has been prepared for the purposes of the prospectus in accordance with Statement of Standard Accounting Practice 16 ("SSAP 16").
In our opinion the abridged current cost information set out in paragraph 12 below has been properly prepared in accordance with the policies and methods described therein to give the information required by SSAP 16.

ACCOUNTING POLICIES

8. The significant accounting policies adopted in arriving at the financial information set out in this report are as follows:

(a) *Basis of Accounting*
The Company prepares its financial statements on the historical cost basis of accounting, modified to include the revaluation of investment properties.

(b) *Basis of Consolidation*
The consolidated profit and loss account and balance sheet include the financial statements of the Company and its seven subsidiaries. Any premium paid on the acquisition of a subsidiary company is written off directly to reserves in the year that it arises.

(c) *Turnover and Profits*
(i) Residential developments
Turnover represents individual house sales where legal completion has taken place. Prior to 31st December, 1980, turnover and attributable profit were included in the financial statements only when legal completion of all the houses on a development had taken place. The financial statements below have been adjusted to reflect this change in accounting policy.
(ii) Commercial and industrial developments
Turnover and profit on current contracts is taken at a stage near enough to completion for the profit to be reasonably certain after making provision for contingencies, while provision is made for all losses incurred to the accounting date together with any further losses that are foreseen in bringing contracts to completion.

(d) *Investment Properties*
Investment properties are not depreciated. From 1st January, 1981 investment properties are included in the balance sheet at their open market value with any change in value being taken to an investment revaluation reserve.

(e) *Land and Site Development*
Land and site development is valued at the lower of cost and net realisable value and is reduced by cash received on account. Cash in excess of work in progress is included in creditors.

(f) *Depreciation*
Depreciation is calculated to write off the cost of fixed assets, after deducting government grants, in equal annual instalments, over their expected useful lives, on the following bases:

Motor cars	25 per cent
Machinery and equipment	10 per cent

(g) *Deferred Taxation*
Deferred taxation is provided on the liability method at the current rate of corporation tax, except where there is a reasonable probability that no such liability will arise in the foreseeable future.

(h) *Regional Development Grants*
Regional development grants are deducted from the cost of additions to fixed assets.

(i) *Interest Payable*
Interest is written off in the accounting period in which it is incurred.

PROFIT AND LOSS ACCOUNTS

9. The profit and loss accounts of the Group for the five years and six months ended 30th June, 1981, after making appropriate adjustments to the audited financial statements, are set out below:

	Notes	Years ended 31st December 1976	1977	1978	1979	1980	*6 months ended 30th June 1981*
		£'000	£'000	£'000	£'000	£'000	*£'000*
Turnover—residential developments	(a)	510	2,703	1,808	2,101	3,678	*1,673*
—commercial and industrial developments		—	—	—	151	305	*1,726*
		510	2,703	1,808	2,252	3,983	*3,399*
Gross Profit—residential developments	(b)	204	737	535	507	706	*488*
—commercial and industrial developments		—	—	—	43	48	*339*
		204	737	535	550	754	*827*
Rent receivable—commercial and industrial properties		—	22	46	89	101	*66*
—ground rents		2	3	3	3	7	*5*
Interest receivable		107	47	26	42	12	—
		313	809	610	684	874	*898*
Overheads	(c)	83	153	173	264	404	*292*
Profit before taxation		230	656	437	420	470	*606*
Taxation	(d)	119	335	224	182	(11)	*210*
Deferred taxation written back	(e)	—	—	—	—	(861)	—
Net profit after taxation retained		111	321	213	238	1,342	*396*
Earnings per share	(g)	2.02p	5.85p	3.88p	4.34p	8.76p	*7.22p*

Notes

(a) Turnover—residential developments represent:

	Years ended 31st December 1976	1977	1978	1979	1980	*6 months ended 30th June 1981*
Number of house sales legally completed	62	283	127	106	147	*62*

(b) Gross profit is calculated before the allocation of certain overheads and after charging:

	£'000	£'000	£'000	£'000	£'000	*£'000*
Hire of plant	20	21	43	96	192	*78*

(c) Overheads which have not been allocated between residential developments and commercial and industrial development activities include:

Depreciation	10	15	20	28	35	*21*
Loss (Profit) on sale of fixed assets	—	—	(4)	(22)	1	—
Interest payable	1	—	1	9	53	*53*

(d) The charge for taxation consists of:

United Kingdom corporation tax at 52%:						
Current	(72)	66	168	(162)	(11)	*210*
Deferred	191	269	56	344	—	—
	119	335	224	182	(11)	*210*

(e) Deferred taxation written back represents the provision for deferred taxation in respect of stock relief not required following the introduction of the 1981 Finance Bill which later became an Act.

(f) Movements on reserves of the Group were:

At 1st January	233	244	565	774	837	*2,239*
Retained profit	111	321	213	238	1,342	*396*
Reserves capitalised	(100)	—	—	—	—	*(998)*
Goodwill written off	—	—	(4)	(115)	—	—
At 31st December (30th June, 1981)	244	565	774	837	2,239	*1,637*

(g) Earnings per share have been calculated throughout on the profits of each period after taxation and on 5,487,805 Ordinary shares in issue following the reconstruction.

The 1980 earnings per share are stated before releasing deferred tax of 15.69p per share.

(h) No dividends have been declared or paid during the five years and six months ended 30th June, 1981.

BALANCE SHEETS

10. The balance sheets of the Company and the Group at 30th June, 1981, after making appropriate adjustments to the audited financial statements, are set out below:—

30th June, 1981	Notes		The Company £'000		The Group £'000
Investment properties	(a)		—		3,220
Other fixed assets	(b)		—		201
Investment in subsidiaries at cost			1,120		—
Current assets					
Land and site development	(c)	—		2,584	
Debtors		—		298	
Bank balances and cash		—		2	
		—		2,884	
Current liabilities					
Creditors		—		1,077	
Corporation tax		—		248	
Short term loan (secured)		—		45	
Bank overdrafts		—		355	
Provision for estimated costs of listing		160		160	
		160		1,885	
Net current assets			(160)		999
Net assets			960		4,420
Financed by:					
Share capital	(d)		1,098		1,098
Investment revaluation reserve	(e)		—		1,845
Other reserves			22		1,637
			1,120		4,580
Provision for estimated costs of listing			(160)		(160)
Shareholders' funds			960		4,420

Notes:

(a) Investment Properties:

	The Group £'000
Freehold	2,225
Long leasehold	995
	3,220

Investment properties were valued as at 30th June, 1981 by Bernard Thorpe and Partners, Surveyors and Valuers, at their open market value on an existing use basis.

(b) Other fixed assets

The Group	Motor Cars £'000	Machinery and Equipment £'000	Total £'000
Cost	87	199	286
Depreciation	33	52	85
Net Book Value	54	147	201

(c) Land and site development

	The Group £'000
Land and site	
— in the course of development	1,954
— held for future development	695
	2,649
Less: Cash received and receivable	65
	2,584

(d) Share capital

	Authorised £'000	Issued and fully paid £'000
Ordinary shares of 20p each	1,400	1,098

(e) Investment revaluation reserve

	The Group £'000
At 1st January, 1981	1,600
Movement during period	245
At 30th June, 1981	1,845

(f) Deferred taxation
No provision has been made for the potential tax liability of approximately £654,000 which could arise on the realisation of the investment properties at their valuation and of approximately £100,000 in respect of accelerated capital allowances.

(g) Contingent liabilities
Subsidiaries have given guarantees in respect of the Carluke and Consett developments as follows:—
Carluke:— to make up the rents of unlet shop units during the period of 25 years from the later of 2nd February, 1982 or the date of completion of the development. At present the shortfall is £25,000 per annum.
Consett:— to make up the return on the purchase price to 9 per cent. The shortfall is at present estimated to be £21,000 per annum and the liability is extinguished when this return is achieved. If the return exceeds 9 per cent. when the property is fully let, the Group is entitled to additional consideration.

STATEMENTS OF SOURCE AND APPLICATION OF FUNDS

11. The source and application of funds of the Group for the five years and six months ended 30th June, 1981, after making appropriate adjustments to the audited financial statements, are set out below:—

	Years ended 31st December 1976	1977	1978	1979	1980	*6 months ended 30th June 1981*
	£'000	£'000	£'000	£'000	£'000	*£'000*
Source of Funds:						
Profit before taxation	230	656	437	420	470	*606*
Items not involving the movement of funds:						
Depreciation	10	15	20	28	35	*21*
Loss/(Profit) on sale of fixed assets	—	—	(4)	(22)	1	—
Total funds generated from operations	240	671	453	426	506	*627*
Proceeds of sale of fixed assets	1	12	11	50	12	*9*
Refund of tax	—	70	—	—	—	*59*
	241	753	464	476	518	*695*
Application of Funds:						
Purchase of goodwill on acquisition of subsidiaries:	—	—	(4)	(115)	—	—
Purchase of fixed assets	(8)	(189)	(280)	(265)	(595)	*(390)*
Payment of tax	(96)	—	(50)	(26)	(9)	—
	(104)	(189)	(334)	(406)	(604)	*(390)*
	137	564	130	70	(86)	*305*
Represented by a net movement in working capital						
Land and site development	384	608	182	742	793	*(209)*
Debtors	32	101	9	404	(400)	*729*
Creditors	(389)	328	208	(431)	8	*(370)*
Short term loans	—	—	—	20	(11)	*(6)*
	27	1,037	399	735	390	*(456)*
Overdraft	15	39	(49)	(702)	(420)	*816*
Bank balances and cash	7	(5)	5	21	(16)	*(10)*
Short term loan	—	—	—	—	—	*(45)*
Short term deposits	88	(507)	(225)	16	(40)	—
Increase (decrease) in liquid funds	110	(473)	(269)	(665)	(476)	*761*
Net increase (decrease) in working capital	137	564	130	70	(86)	*305*

CURRENT COST FINANCIAL STATEMENTS

12. The abridged current cost financial statements of the Group for the year ended 31st December, 1980 and six months ended 30th June, 1981 are set out below:—

A. Current Cost Profit and Loss Account

	Note	1980 12 months £'000	*1981 6 months £'000*
Turnover		3,983	*3,399*
Historical cost trading profit before loan interest		470	*608*
Less: Current cost operating adjustments	(a)	99	*93*
Current cost operating profit		371	*515*
Gearing adjustment (credit)		—	*(3)*
Interest on loans		—	*2*
		—	*(1)*
Current cost profit before taxation		371	*516*
Taxation charge (credit)		(872)	*210*
Retained current cost profit for the period		1,243	*306*

B. Statement of retained profits and reserves

		1980	*1981*
Retained current cost profit for the period		1,243	*306*
Movement on current cost reserve		283	*146*
		1,526	*452*
Revaluation surplus in historical cost reserves		1,600	*245*
Reserves capitalised		—	*(998)*
Movement on reserves		3,126	*(301)*
Reserves at beginning of period		974	*4,100*
Reserves at end of period		4,100	*3,799*

C. Balance sheet at 30th June, 1981

Fixed assets	(b)	*3,447*
Net current assets		
Stock		*2,875*
Monetary working capital (net)		*(1,132)*
Total working capital		*1,743*
Other current liabilities		*(293)*
		1,450
		4,897
Financed by:		
Share capital		*1,098*
Current cost reserve	(c)	*506*
Other reserves—retained profit		*3,293*
		4,897

Explanatory Notes
(i) The abridged current cost financial statements have been prepared in accordance with the principles set out in SSAP 16.
(ii) Investment properties were revalued in this period for the historical cost financial statements at their current market value and no further adjustment is made for the current cost financial statements.
(iii) Plant and machinery are valued at their current cost using government indices. The additional depreciation arising is charged as part of the current cost operating adjustment.
The disposal adjustment represents the increase in current cost net book value of the assets at the date of disposal.
(iv) Work in Progress
The land content of work in progress has been valued at current market value by independent valuers at the year end. At 31st December, 1980 land was included at directors' valuation. Materials and labour are valued using government indices. The cost of sales adjustment represents the increased cost at the date of the sale. It is calculated by the average method.
(v) The monetary working capital adjustment represents the advantage to the company of financing its operations mainly from creditors and bank overdraft. It is calculated by the averaging method using the indices used in (iv) above.
(vi) The gearing adjustment represents the advantage to the shareholders of financing part of the operating assets by borrowing. As the obligation to repay the borrowing is fixed, it is unnecessary to provide for the effect of price changes on the assets so financed.

Notes

(a)

	1980 12 months £'000	*1981 6 months £'000*
Current cost operating adjustments		
Cost of sales	308	*751*
Monetary working capital	(219)	*(62)*
Working capital	89	*89*
Depreciation	6	*3*
Fixed asset disposals	4	*1*
Fixed assets	10	*4*
Current cost operating adjustments	99	*93*

(b)

	Investment Properties £'000	Plant Machinery £'000	Total £'000
Fixed assets			
Gross current replacement cost	3,220	341	3,561
Depreciation	—	114	114
Net current replacement cost	3,200	227	3,447

(c)

	1980 12 months £'000	*1981 6 months £'000*
Current cost reserve		
Balance at 1st January, 1981	77	*360*
Revaluation surpluses:—		
Plant and machinery	2	*2*
Stocks and work in progress	182	*54*
	184	*56*
Cost of sales	308	*751*
Plant and machinery	10	*4*
Monetary working capital	(219)	*(62)*
Gearing	—	*(3)*
	99	*90*
	283	*146*
Balance at 30th June, 1981 (31st December, 1980)	360	*506*
of which: realised	99	*189*
unrealised	261	*317*
	360	*506*

(d)

	1980	*1981*
Financing of net operating assets		
Fixed assets	2,839	*3,447*
Working capital	1,361	*1,743*
Net operating assets	4,200	*5,190*
Share capital and reserves	4,200	*4,897*
Taxation	—	*248*
Other current liabilities	—	*45*
Net borrowing	—	*293*
	4,200	*5,190*

Yours faithfully,
Deloitte Haskins & Sells,
Chartered Accountants

RECONCILIATIONS

Reconciliation of land and site development at 30th June, 1981 in the Accountants' Report to residential properties being developed at 31st October, 1981 in the Valuation Report.

The following information, so far as it relates to transactions subsequent to 30th June, 1981, has been extracted from unaudited financial information.

	Land value £'000	Building value £'000	Total £'000
Land and site development (at cost) in the Accountants' Report at 30th June, 1981	1,198	1,451	2,649
Less: Costs relating to non-residential properties being developed	217	149	366
	981	1,302	2,283
Add: Costs incurred (1st July—31st October, 1981)	318	750	1,068
	1,299	2,052	3,351
Less: Costs attributable to properties for which contracts exchanged:			
Legally completed:			
contracts exchanged before 30th June, 1981	(55)	(332)	(387)
contracts exchanged after 30th June, 1981	(81)	(412)	(493)
Not legally completed:			
contracts exchanged before 30th June, 1981	(9)	(53)	(62)
contracts exchanged after 30th June, 1981	(32)	(230)	(262)
Cost of properties at 31st October, 1981 where contracts have not been exchanged	1,122	1,025	2,147
Add: Increased in land value	155	—	155
	1,277	1,025	2,302
Value per Valuation Report (Part B (ii))	1,277	1,025	2,302

Reconciliation of valuation of investment properties at 30th June, 1981 in the Accountants' Report to that at 31st October, 1981 in the Valuation Report

		£'000
Per Accountants' Report at 30th June, 1981		3,220
Add: Residential properties (ground rents)—not included in the financial statements		56
		3,276
Per Valuation Report at 31st October, 1981		
Part A	Properties held as investments	2,966
Part B (i)	Properties being developed	50
Part C	Properties held for development in the future—commercial property	260
		3,276

ASSUMPTIONS AND LETTERS RELATING TO THE PROFIT FORECAST

(a) Assumptions

The forecast historical cost profit before taxation and extraordinary items for the current year ending 31st December, 1981 which is set out above, is based on the following principal assumptions:—
(i) that contracts for sale of residential properties already exchanged and scheduled for completion prior to 1st January, 1982 will be duly completed before that date;
(ii) there will be no significant changes in relevant United Kingdom legislation or Government regulations and there will be no Government statement which adversely effects the business of the Group; and
(iii) there will be no material disruption of the Group's business or that of its suppliers or subcontractors due to industrial disputes, business failures of unusually adverse weather conditions.

(b) Letters

(i) From the Auditors and Reporting Accountants

The following is a copy of a letter from Deloitte Haskins & Sells concerning the profit forecast:—

Hadrian House,
Higham Place,
Newcastle upon Tyne,
NE1 8BP
and
128, Queen Victoria Street,
P.O. Box 207,
London EC4P 4JX
3rd December, 1981

The Directors,
Cussins Property Group plc
Gentlemen,

We have reviewed the accounting policies and calculations for the historical cost profit forecast (for which the Directors are solely responsible) of Cussins Property Group plc and its subsidiaries ("the Group") for the year ending 31st December, 1981 included in the document dated 3rd December, 1981 issued in connection with a placing of 1,400,000 Ordinary Shares of 20p each in Cussins Property Group plc.

The forecast includes results shown by the audited interim financial statements for the six months ended 30th June, 1981 and subsequent unaudited management information. In our opinion, the forecast so far as the accounting policies and calculations are concerned, has been properly compiled on the basis of assumptions made by the Directors set out in the document referred to above and is presented on a basis consistent with the accounting policies normally adopted by the Group.

We have also reviewed the current cost profit forecast (for which the Directors are solely responsible) for the year ending 31st December, 1981. In our opinion the current cost profit forecast has been properly prepared in accordance with the principles of Statement of Standard Accounting Practice 16.

Your faithfully,
Deloitte Haskins & Sells
Chartered Accountants

(ii) From Capel-Cure Myers

The following is a copy of a letter from Capel-Cure Myers concerning the profit forecast:—

Bath House,
Holborn Viaduct,
London EC1A 2EU
3rd December, 1981

The Directors,
Cussins Property Group plc
Gentlemen,

We refer to the profit forecast for the year ending 31st December, 1981 set out in the document dated 3rd December, 1981 to be issued in connection with a placing of 1,400,000 Ordinary Shares of 20p each in the Company.

We have discussed with you and with Deloitte Haskins & Sells the policies and assumptions on which the profit forecast was made. We have also considered the letter dated 3rd December, 1981 addressed to you from Deloitte Haskins & Sells regarding the accounting bases and calculations adopted in arriving at the profit forecast.

On the basis of the above we consider that the profit forecast, for which you are solely responsible, has been made after due and careful enquiry.

Yours faithfully,
Capel-Cure Myers

UK NEWS—LABOUR

Moderates hold key to pit pay talks

BY BRIAN GROOM, LABOUR STAFF

ATTEMPTS to reach a pay settlement for Britain's 257,000 miners resume *tomorrow* at a meeting with the National Coal Board.

The previous two attempts have been thwarted by the politics of the National Union of Mineworkers' presidential *election.*

It is by no means certain that a marginally improved offer would win the support of the moderate majority on the union's 25-strong executive even now that the ballot is out of the way.

Counting in the election begins at the London headquarters of the Electoral Reform Society today, with Mr Arthur Scargill still the clear favourite to win.

The Coal Board's "final" £100m offer—which it says would be equivalent to 9.1 per cent on current minimum earnings—was rejected unanimously by the executive last month when right-wingers appeared anxious not to be outdone in militancy in the eyes of the membership.

Some right-wing members now say, however, that they would reject not only the present offer but also one which made a marginal adjustment, perhaps by consolidating into basic rates a £1 rise in payments made for achieving weekly productivity targets.

They point out that even if an offer acceptable to the moderates is made, it is not as easy as it used to be to wield the right-wing majority on the executive.

If a new offer is put, the executive would recommend acceptance or rejection in a ballot, or call a special delegate conference. A motion passed at this year's annual conference appears to make the latter course obligatory, but some right-wingers believe the wording can be interpreted to allow them to go directly to a ballot, at least on a recommendation to reject.

The outcome of Tuesday's talks will be crucial to the Government's hopes of keeping pay settlements down during the winter—as will pay negotiations on Thursday between local authority employers and the manual unions.

The ballot for the miners' presidency is potentially of much greater long-term significance, however.

The ballot result will be announced at Thursday's meeting of the NUM executive and most union officials are sticking to their predictions that Mr Scargill will win easily.

The election has been conducted in great secrecy but pithead reports from Durham, for instance, suggested that there was heavy polling for the Yorkshire miners' leader. Durham, traditionally a moderate coalfield, has become more marginal in recent years and nominated Mr Scargill for the presidency.

Seamen's leaders study Tebbit moves to curb ships boycott

BY OUR LABOUR STAFF

LEADERS of Britain's seamen's unions are to meet on Thursday to consider Mr Norman Tebbit's labour law proposals, which contain measures aimed at curbing the "blacking" of ships by members of the International Transport Workers' Federation.

The federation's affiliates have been waging a long worldwide campaign of boycotts on ships paying below ITF rates. The campaigners have demanded that those ships hand over money in "unpaid wages" which would then be paid to the crew.

Mr James Prior, former Employment Secretary, dealt with this as a problem area in his Green Paper last January. His successor appears to have heeded a strong shipowners' lobby calling for the practice to be restrained.

Mr Tebbit's proposals would narrow the definition of a "trade dispute," which confers legal immunity, to one between an employer and his own employees. It would exclude disputes wholly outside Great Britain.

The Government also plans to tighten the wording of a part of the existing legislation, which it says is necessary in particular because of the Lords judgment in the ITF dispute with the NWL company in 1979 over the blacking of the Nawala.

The proposals are likely to restrict considerably the legality of blacking by dock workers after seamen's union representatives have examined the ships. Whether the Third World crews support the action taken *on their behalf is often disputed.*

Mr Harold Lewis, general secretary of the London-based ITF, said that even if its activities were undermined in Britain, "the international campaign will go on until we win or are defeated—there's no way we are going to back off."

The Thursday meeting, which will include the general secretaries of the Merchant Navy *Officers', Seamen's and Radio* Officers' Unions, will discuss a submission to Mr Tebbit before the New Year.

TUC attacks compulsory training plan for unemployed

BY BRIAN GROOM, LABOUR STAFF

THE TUC has sharply attacked Government plans to make a new scheme for unemployed school leavers virtually compulsory and to cut existing allowances.

Mr Ken Graham, the TUC's assistant general secretary, said at the week-end that the Government was "in danger of throwing away a priceless opportunity to boost and modernise training in Britain.

He indicated that trade unions may withdraw co-operation from Government traianing schemes. The existing Youth Opportunities Programme has itself proved controversial with the unions.

Mr Graham told a London conference of the TUC's South-East Regional Council that he was "horrified" by "irresponsible talk of cuts in training allowances, coupled with the disturbing and distasteful innuendo that 'young people may be herded into schemes whether they like it, or not, or face the loss of their benefit entitlement."

Mr Norman Tebbit, the Employment Secretary, is likely to announce the scheme, aimed at keeping all 16- to 18-year-olds off the unemployment register, on December 15. It seeks to fulfil the Prime Minister's pledge that all school leavers should either have a job or go into some form of training.

The plans have yet to be approved by *ministers, but they* are likely to include a proposal to set the training allowance much lower than the £23.50 a week paid to teenagers on six-month YOP schemes—perhaps as low as £15 a week for a full year.

When the scheme has become established, it is likely that school leavers who refuse a place will lose their entitlement to supplementary benefit.

The scheme is envisaged as part of a much wider reform of training arrangements, including apprenticeships, largely *based on proposals submitted to* the Government by the Manpower Services Commission.

Mr Graham made clear that the TUC backed the Commission's initiative, which includes a modernisation of apprenticeships by means of skill tests and breaking down age restrictions.

But he emphasised that substantial financial resources had to be made available for the programme to work.

Mr Graham said the "first steps" to an overhaul of training had to be a raising of the *YOP allowance to £30* a week and an end to the abuse whereby employers took on YOP trainees instead of normally-employed workers.

The MSC wants to see the YOP allowance raised to £28.

Newspaper employers refuse to raise offer

By Our Labour Staff

PROVINCIAL newspaper employers have refused to raise their £4-£6 a week pay rise offer ot 6,500 members of the National Union of Journalists and are concen*trating on* attempts to agree a new deal on disputes.

The Newspaper Society, which represents most provincial newspaper owners, has made a "final" offer of £6-£8 a week rise to the smaller, non-TUC affiliated Institute of Journalists, without conditions.

The offer to the NUJ is conditional on the union accepting changes to the *disputes* procedure.

Ms Linda Rogers, NUJ provincial newspapers officer, said the union was told by the society on Friday that it wanted matters not covered by agreements to be exempt from the procedure, unless the two sides agreed otherwise. It also wanted an independent chairman for the joint committee which is part of the procedure.

Ms Rogers said employers wanted to exclude closures and job losses—a sensitive issue in the past two years—from the mandatory section, *but to include within it* the union's disciplining of members.

The union has offered further talks on the issue after a pay deal is signed, but the society wants it dealt with beforehand. The NUJ says the society's plan would lead to arguments about what go through the procedure.

The two sides meet again on Wednesday. NUJ negotiators expect a new pay offer to be put soon, on the grounds that it would be provocative to give pay rises only to IoJ members after the January 1 settlement date.

Current minimum rates for senior journalists range from £82.50 to £128.50 a week.

TELEVISION

BBC 1

12.30 pm News After Noon. 12.57 Regional News for England (except London). 1.00 Pebble Mill at One. 1.45 Chock-a-Block. 3.00 See Hear! 3.25 Delia Smith's Cookery Course. 3.53 Regional News for England (except London). 3.55 Play School. 4.20 Touché Turtle. 4.25 Jackanory. 4.40 Jigsaw. 5.05 John Craven's Newsround. 5.10 Blue Peter.

5.40 News.
6.00 Nationwide (London and South East only).
6.25 Nationwide, including Watchdog.
6.55 Angels.
7.20 Blake's Seven.
8.10 Panorama: "Inside the revolution" — reporter Tim Hodlin and producer Chris Oxley were the first British television team to have filmed in Iran for almost a year.
9.00 News.
9.25 The Society of West End Theatre Awards from the Café Royal, London.
10.45 Film 81 with Barry Norman.
†11.15 Phil Silvers as Sergeant Bilko.
11.38 News Headlines.
11.40 Speak for Yourself: Extra Help When Out of Work.

Chris Dunkley: Tonight's Choice

If it weren't for deep sea divers Britain would be in even worse financial trouble. So says Ric Wharton who is featured in BBC-2's Tales Of Twelve Cities which goes to Aberdeen tonight to hear how divers earn £25,000 a year. Wharton, the 38-year-old boss of Britain's biggest diving company, says that without divers there would be no North Sea oil industry and Britain would be broke.

Another example of modern British technology is due to come into service today: the Advanced Passenger Train is scheduled to begin its 125 mph service between London and Glasgow. Horizon followed the commissioning engineers for one week during the troubled progress of the project which has suffered endless problems from government delays and industrial disputes to strife within British Rail itself.

BBC 2

10.10 am Supervisors.
10.35 Speak for Yourself.
11.00 Play School.
11.25 Write Away.
2.20 pm Let's Go.
2.35 Inside Japan.
3.05 Whistle Blowers.
3.30 Great Expectations.
†3.55 Star Movie: "Along Came Jones," starring Gary Cooper.
5.25 Under Sail.
†5.40 Daredevils of The Red Circle.
6.05 Riders of the Silver Screen.
6.55 Living in the Past.
7.25 News Summary.
7.30 Tales of 12 Cities.
8.10 Cliff!
9.30 Horizon.
10.20 George Shearing plays Rhythm on Two.
10.50 Newsnight.
1.35-12.05 am Heute Direkt.

LONDON

9.30 am The Bubblies. †9.40 am "Yangtse Incident," starring Richard Todd. 11.30 The Further Adventures of Oliver Twist. 12.00 Cockleshell Bay. 12.10 pm Rainbow. 12.30 Doctor! 1.00 News plus FT Index. 1.20 Thames News with Robin Houston. 1.30 Farmhouse Kitchen. 2.00 Money-go-Round. 2.30 Monday Matinee: Kieron Moore and Greta Gynt in "The Blue Peter." 4.15 Theatre Box: Ken Campbell in "School for Clowns." †5.15 pm Coronation Street.

5.45 News.
6.00 Thames News with Andrew Gardner and Pat Harper.
6.25 Help! with Viv Taylor Gee.
6.35 Crossroads.
7.00 Bullseye.
7.30 Coronation Street.
8.00 Astronauts.
8.30 World in Action.
9.00 Quincy, starring Jack Klugman.
10.00 News.
10.30 "From Here to Eternity," starring Natalie Wood and William Devane (part 3).
12.20 am Close: "Sit up and Listen" with Lord Soper.

† Indicates programme in black and white

All IBA Regions as London except at the following times:

ANGLIA

9.30 am Larry the Lamb. 9.45 Clegg's People. 10.10 Then Came Bronson. 11.05 Cartoon Time. 11.15 Pro-Celebrity Ten-Pin Bowling. 1.20 pm Anglia News. 2.30 Monday Film Matinee: "The Promise." 5.15 University Challenge. 6.00 About Anglia. 6.30 Survival. 10.30 Coronation Street. 11.00 Anglia Reports. 11.30 The Monte Carlo Show. 12.30 am These Are My Little Ones.

ATV

9.35 am Stationary Ark. 10.00 Bailey's Bird. †10.25 Morning Cinema: "Cardboard Cavalier." 1.20 pm ATV News. †2.00 Rendezvous with Romance: "The Passionate Friends." 3.45 Money-Go-Round. 6.00 ATV Today. 10.30 Left, Right and Centre. 11.10 ATV News. 11.15 The New Avengers.

BORDER

9.35 am Sesame Street. 10.35 Film: "Master of Ballantrae." 1.20 pm Border News. 2.00 Matinee: "Love in the Suburbs." 3.45 Money-Go-Round. 5.15 Survival. 6.00 Lookaround Monday. 6.15 The Sound of Children. . . . 6.45 Travellers' Tales. 10.30 Coronation Street. 11.00 Lou Grant. 12.00 Border News Summary.

CHANNEL

12.30 pm Election '81. 1.20 Channel Lunchtime News, What's On Where. 2.00 The Monday Matinee: "The Final Eye." 3.45 Money-Go-Round. 6.00 Channel Report. 6.25 School Report. 6.35 The Science Quiz. 10.28 Channel Late News. 10.35 240 Robert. 11.30 That's Hollywood. 11.55 News and Weather in French.

GRAMPIAN

9.40 am First Thing. 9.45 Chopper Squad. 10.35 Target the Impossible. 11.00 Sesame Street. 1.20 pm North News. 2.30 Monday Matinee: "All the Way Up." 5.15 Mork and Mindy. 6.00 North Tonight. 6.30 Country Focus. †10.30 Coronation Street. 11.00 The New Avengers. 12.00 England Their England. 12.30 am North Headlines.

GRANADA

9.30 am Animated Classics. 10.15 Untamed World. 10.35 The Flying Kiwi. 11.00 Sesame Street. 1.20 pm Granada Reports. 2.30 Monday Matinee: "Mr Perrin and Mr Traill." 5.15 The Flintstones. 6.00 Granada Reports. 10.30 Coronation Street 21st Birthday Celebrations. 11.00 Mai Zetterling's Stockholm. 11.55 Going Out.

HTV

9.45 am Sesame Street. 10.45 Bailey's Bird. 11.10 Animated Classics. 1.20 HTV News. 2.30 "The Sandwich Man," starring Michael Bentine. 5.15 The Flintstones. 6.00 Report West. 10.28 HTV News. 10.30 Coronation Street Birthday Special. 11.00 Thriller: "Screamer."

HTV Cymru/Wales—As HTV except: 12.00-12.10 pm Ffalabalam. 4.15 The Flying Kiwi. 4.45-5.15 Ser. 6.00 Y Dydd. 6.25-7.00 Report Wales. 8.30-9.00 Yr Wythnos. 11.00 World in Action. 11.30 The Monte Carlo Show.

SCOTTISH

9.30 am Bill, Peggy Royal and Friends. 9.56 Stars on Ice. 10.20 Al Oeming Man of the North. 11.10 Bowls Spectacular. 1.20 pm News and Road and Weather. 2.00 Monday Matinee: "That Lady from Peking." 3.45 Money-Go-Round. 5.15 Diff'rent Strokes. 6.00 Scotland Today. 6.40 Crimedesk. 10.30 About Gaelic. 11.00 Coronation Street Birthday Special. 11.30 The Entertainers. 12.00 International Bowls. 12.30 am Late Call.

SOUTHERN

9.30 am Wild Wild World of Animals. 9.55 Bailey's Bird. 10.20 Fangface. 10.45 Coral World. 11.35 The New Fred and Barney Show. 1.20 pm Southern News. 2.00 Houseparty. 2.25 "The Happiest Days of Your Life." starring Alastair Sim. 3.45 Money-Go-Round. 5.15 Happy Days. †10.30 Coronation Street. 11.00 Thriller "Murder in Mind."

TYNE TEES

9.20 am The Good Word. 9.25 North East News. 9.30 George Hamilton IV. 9.55 The World We Live In. 10.20 Cartoon Time. 10.35 Stingray. 11.00 Sesame Street. 1.20 pm North East News and Lookaround. 2.30 Monday Matinee: "Sunflower," starring Sophia Loren. 6.00 North East News. 6.02 Three Little Words. 6.30 Northern Life. 10.30 North East News. 10.32 Briefing. 11.15 Lou Grant. 12.15 am The Bible.

ULSTER

1.20 pm Lunchtime. 2.30 Monday Matinee: "The Bedford Incident." 4.13 Ulster News. 6.00 Good Evening Ulster. 10.29 Ulster Weather. 10.30 Ulster Landscapes. 11.00 Welcome Back Kotter. 11.30 Bedtime.

WESTWARD

9.35 am Sesame Street. 10.35 The Lost Islands. 11.00 Nova. 1.20 pm Westward News Headlines. 2.00 The Monday Matinee: "The Final Eye." 3.42 Gus Honeybun's Birthdays. 3.45 Money-Go-Round. 6.00 Westward Diary. 10.32 Westward Late News. 10.35 240 Robert. 11.30 That's Hollywood. 11.55 Faith for Life. 12.00 West Country Weather.

YORKSHIRE

9.30 am European Folk Tales. 9.40 The World We Live In. 10.05 Herculoids. †10.30 Laurel and Hardy in "Leave Them Laughing." 11.00 Bygones. 11.25 Make Mine Music. 11.55 Wattoo Wattoo. 1.20 pm Calendar News. 2.30 Monday Matinee: "The Healers." 5.15 Survival. 6.00 Calendar (Emley Moor and Belmont editions). †10.30 Coronation Street Birthday Special. 11.00 The Monte Carlo Show.

RADIO

RADIO 1

(S) Stereophonic broadcast
‡ Medium Wave

5.00 am As Radio 2. 7.00 Mike Read. 9.00 Simon Bates. 11.30 Dave Lee Travis. 2.00 Pm Paul Burnett. 3.30 Steve Wright. 5.00 Peter Powell. 7.00 John Lennon (1940-1980) The first of a five-part tribute. 8.00 David Jensen. 10.00-12.00 John Peel (S).

RADIO 2

5.00 am Ray Moore (S). 7.30 Terry Wogan (S). 10.00 Jimmy Young (S). 12.00 John Dunn (S). 2.00 Ed Stewart (S). 4.00 David Hamilton (S). 5.45 News; Sport. 6.00 Don Durbridge with Much More Music (S). 6.45 Sports Desk. 8.00 Folk on 2 (S). 9.00 Humphrey Lyttleton with the Best of Jazz (S). 9.55 Sports Desk. 10.00 The Law Game. 10.30 Star Sound with Nick Jackson. 11.00 Brian Matthew with Round Midnight. 1.00 am Truckers' Hour (S). 2.00-5.00 You and the Night and the Music (S).

RADIO 3

6.55 am Weather. 7.00 News. 7.05 Morning Concert (S). 8.00 News. 8.05 Morning Concert (continued). 9.00 News. 9.05 This Week's Composers: Thomas Arne and William Boyce (S). 10.00 Horn, Percussion and Piano recital (S). 11.05 BBC Northern Symphony Orchestra (S). 1.00 pm News. 1.05 BBC Lunchtime Concert (S). 2.00 Matinee Musicale (S). 3.00 New Records (S). 4.55 News. 5.00 Mainly for Pleasure (S). 7.00 Images of Heaven and Hell. 7.30 "Oedipus," opera in four acts by Georges Enesco (sung in French) Acts 1 and 2 (S). 8.35 Livings. 8.55 "Oedipus," Acts 3 and 4 (S). 10.00 Low Altar (short story). 10.30 Jazz in Britain (S). 11.00 News. 11.05-11.15 Lord Berners (S).

RADIO 4

6.00 am News Briefing. 6.10 Farming Week. 6.25 Shipping Forecast. 6.30 Today. 8.35 The Week on 4. 8.45 Miles Kington with recording from the BBC Sound Archives. 9.00 News. 9.05 Start the Week with Richard Baker. 10.00 News. 10.02 Money Box. 10.30 Daily Service. 10.45 Morning Story. 11.00 News. 11.05 Down Your Way. 11.50 Poetry Please! 12.00 News. 12.02 pm You and Yours. 12.27 What Ho! Jeeves. 12.55 Weather, programme news. 1.00 The World at One. 1.40 The Archers. 1.55 Shipping Forecast. 2.00 News. 2.02 Woman's Hour. 3.00 News. 3.02 Afternoon Theatre (S). 4.25 The Cities of the Plain. 4.35 Piano Parlour (S). 4.45 Story Time. 5.00 PM: News Magazine. 5.50 Shipping Forecast. 5.55 Weather; Programme News. 6.00 News. 6.30 The News Quiz (S). 7.00 News. 7.05 The Archers. 7.20 Start the Week with Richard Baker. 8.00 The Monday Play (S). 9.30 Kaleidoscope. 9.59 Weather. 10.00 The World Tonight. 10.30 Science Now. 11.00 A Book at Bedtime. 11.15 The Financial World Tonight. 11.30 Today in Parliament. 12.00 News.

Tax-avoiders take a blow

THE WEEK IN THE COURTS

BY JUSTINIAN

A FURTHER crushing blow was administered to tax-avoiders last week when the House of Lords negatived a manufactured capital gains tax loss of £160m by Burmah Oil (Commissioners of Inland Revenue v. Burmah Oil Company). In so doing, the Law Lords reaffirmed the significant change in the judicial approach towards elaborate tax-avoidance schemes demonstrated last March in W. T. Ramsey Ltd v. IRC*.

For nearly 50 years tax consultants have told themselves and prospective clients that tax avoidance, as opposed to tax evasion, was lawful even if doubtfully ethical. They relied on the oft-quoted remark of Lord Tomlin in IRC v. Duke of Westminster† that "every man is entitled to order his affairs so that the tax attaching under the appropriate Acts is less than it otherwise would be."

It is not that that House of Lord's decision has been disapproved of but that the courts are now looking to the methods used for the ordering of the taxpayer's affairs. There is all the difference in the world between business transactions conducted in a straightforward manner that have the effect of minimising tax and a series of convoluted transactions designed to effect a lessening of the tax liability.

In the Duke of Westminster case, deeds of covenant were executed by the Duke in favour of his employees, including his gardener. The deed provided that the payments were to be without prejudice to any claim for remuneration to which the employee might thereafter be entitled; but it was understood by the employee that he was not expected to make any such claims so long as the amount received under the covenant and any other payments he received equalled his current salary.

The Revenue contended that although the transaction was in the *form* of a grant of an annuity or annual payment, *in substance* the transaction was an agreement by the employee (the gardener) to continue in service at his normal salary.

The Courts rejected that contention, saying the argument proceeded on a misunderstanding of the supposed doctrine of the substance of the matter; and the sooner the misunderstanding was dispelled and the doctrine given its quietus the better. There followed the Lord Tomlin pronouncement about lessening the citizen's tax burden.

The Law Lords went on to say that, however, unappreciative the Revenue or fellow taxpayers may be of the avoider's ingenuity, he could not be compelled to pay an increased tax. They damned the so-called doctrine that seemed to permit the brushing aside of the legal rights and liabilities and the substitution of taxability on rights and liabilities different from what they are in law.

What those ingenious devisers of tax-avoidance schemes have overlooked was that the Duke of Westminster had provided, in an uncomplicated way, that his old retainer, the gardener, entered the transaction with his salary and left under the deed of covenant with a genuine entitlement to his salary and to an additional annuity.

As Lord Diplock described the Duke of Westminster case, it was a simple transaction between two real persons each with a mind of his own—"even though in the 1930s and a time of high unemployment there might be a reason to expect that the mind of the gardener would manifest some degree of subservience to that of the Duke."

The basic difference is that latter-day tax-avoidance schemes have involved interconnected transactions between artificial persons (ie limited liability companies) without minds of their own; indeed, their minds were directed by a single master-mind who is usually the deviser and seller of his ingenious schemes to any one of a number of customers searching for a package marked "tax-avoidance."

If the House of Lords did not have to overrule a long line of cases since 1936 until this year, what has emerged is a willingness to rid the taxation system of the artificiality of transactions that are inserted into a preordained series of transactions that have no serious commercial purpose other than the avoidance of tax liability.

A whole industry that favoured a tiny proportion of heavy taxpayers has been struck down in favour of asserting the protection to the state's coffers and the overwhelming body of taxpayers who neither have the cash nor the facility to employ astute persons to deprive the Revenue of vast amounts of taxable income.

The Burmah case did at least have the substratum of a serious commercial transaction. The only real asset involved in the whole series of transactions was its holding of British Petroleum shares. By two transactions previous to the relevant tax year the shares were transferred to OMDR Holdings Ltd ("Holdings"), a wholly-owned subsidiary of Burmah Oil; these transactions were undertaken for good commercial reasons.

The shares which were transferred to Holdings at market price were subsequently transferred back at a time when the market price had fallen. As a result of that transaction there were entries in the books of both parent and subsidiary company showing an unsecured indebtedness by Holdings to Burmah Oil of £160m.

The indebtedness of £160m represented the extent of Holdings's insolvency, since it had no assets out of which to pay that sum. A bad debt, which is not a debt on a security, is not a deductible loss for the purposes of capital gains tax; hence a scheme had to be devised so as to convert the debt into a loss on realisation of Burmah Oil's shares in Holdings on liquidation of that company.

The essence of the scheme was that Burmah Oil should subscribe £160m for a rights issue of fresh shares in Holdings, thus putting it into a position to make a declaration of solvency and go into voluntary liquidation. The £160m was the subject of further book-entries of some circularity and obscurity, whereby the indebtedness was transmogrified into a loss of the same amount on the realisation of Burmah Oil's shares in Holdings on the latter's voluntary liquidation.

The new judicial approach entitled their Lordships to ignore the intermediate circular book-entries and to look at the end-result, which was that Burmah Oil wrote off Holdings's indebtedness to it of £160m, by itself providing Holdings with the money to pay it, ostensibly in the form of fresh capital.

The reality, however, was that the loss suffered was still of a debt and not on a security. Thus the tax-avoidance scheme failed to achieve its object. To invoke the words of Lord Wilberforce in the earlier, Ramsay, case: "The capital gains tax was created to operate in the real world, not that of make-believe."

Burmah Oil was able to point to some clear differences in its admitted tax-avoidance scheme. In the earlier case taxpayers had been provided with a preconceived and ready-made plan, whereas the plan, though preconceived, was specially tailor-made for Burmah Oil. That difference, however, could not alter the legal position.

In other cases it was the manifest intention that once embarked on, the scheme would be seen through to its conclusion and would not be arrested half-way through. In Burmah Oil's case there was a possibility of implementing the first series of events which could have stood on their own.

The Law Lords, however, thought that although the directors could have chosen to abandon the scheme, the reality was that the decision had already been taken to carry it through to completion.

One other difference did not avail Burmah Oil. The money required for the various transactions had in past cases been provided by loans which were so arranged and secured as to raise doubts whether any real money ever existed at all. In the Burmah Oil case the money was provided by Burmah Oil, and the circular transactions undoubtedly took place as represented by entries in the bank statements.

The fascination of the case to lawyers and tax consultants is that the House of Lords could find no flaw in the construction placed by the lower courts on the relevant provisions of the Finance Act, 1965, which imposed capital gains tax. The principle of realism, however, overrode the strict application of the law to the transactions involved in the scheme.

Had Burmah Oil's argument prevailed, it would have been one more instance in which the taxpayer had achieved the apparently magic result of creating a tax loss that was not a real loss.

* [1981] 2 WLR 449.
† [1936] AC 1.

SOCCER

BY TREVOR BAILEY

Albion leads Midlands revival

THE DEPRESSION in the industries of the Midlands might also be said to apply to their football in terms of results and falling gates.

Of their seven first division teams, only Nottingham Forest are in the top half of the table and they are far removed from the exciting and effective team of a few seasons ago.

The performances of league champions Aston Villa suggest they will not retain the title, while Notts County look destined, as always seemed probable, to make an immediate return to the second division. They might well be accompanied by either Birmingham or Wolves.

Fortunately for this pair Sunderland and Middlesbrough already seem to have acquired that unhealthy, doomed appearance, so they could escape without having to improve as much as would have been necessary in other years when good clubs were relegated.

However, there are signs of a football revival in the Midlands. This was certainly borne out by the performances of West Bromwich Albion last week when they not only knocked West Ham out of the League Cup but also ended a successful run by Wolves with a convincing 3-0 victory

The present side is not yet as good as Ron Atkinson's team of 1978-79 which possessed real style. But this is hardly surprising since Cunningham, Robson, Johnston and Moses have all left. Nevertheless manager Ronnie Allen is to be congratulated for putting together an intriguing side which, judging by the match against Wolves, possesses the class to carry off one of the cups this season.

The last time Albion won a major honour was back in the late '60s. A repeat should help to bring back the crowds, which have dropped by a disturbing 7,000 for the home game in the past three seasons, and help to pay for their splendid new stand.

The West Bromwich rearguard is highly experienced, consisting of two no-nonsense centre backs and a pair of talented full backs, Batson and Statham, who are also clever and dangerous raiders.

On Saturday Statham looked a more complete footballer than Arsenal's Sansom and, as he is faster than Mills, the current England full back, it would come as no surprise if he was included in the squad for Spain.

The midfield quartet is a satisfying blend of skill, industry and aggression

The attack is led by the hard running Brown and the majestic Regis whose two goals, one a powerful drive and the other a header from a corner, brought him an impressive tally of 10 in the last nine games.

RUGBY

BY PETER ROBBINS

Wales have making of fine team

ONCE AGAIN all the dire prognostications from the Valleys have been proved to be false, for, after defeating Australia 18—13, there is the making of another fine Welsh team that should do well in this year's championship.

It was a most lively and interesting match and it says much for the Welsh resilience that they came back from 7 points down early in the second half after Australia had largely dominated the first period.

It was absorbing to see the struggle for technical supremacy. But finally it was the unexpected but laudable lasting power of the Welsh forwards, allied to their world-class half backs, that won the day.

Moriarty, winning his first cap, brought mobility and tremendous zest to the pack, while the powerful Welsh front row of Price, Phillips and Stephens constituted a marvellous platform. How vital that secure foundation is and how effectively Williams at the back and Moriarty in the middle frustrated Australia's line out work.

Davies the new flanker, also played well apart from his ghastly missed tackle on Loane, with Squire playing a tight game as number eight.

There is a certain luxury in any side that has Holmes and Davies as half backs. It was Holmes, with his probing and committing of the Australian back row, who did so much in a positive sense. He gave Davies such good possession and his only lapse was to give an interception to Slack at the end of the game.

Davies, with infinitely more time than McLean, repeatedly kicked Australia back and although he was not always entirely accurate it was unnerving for the Wallabies.

In the first half the Welsh back play was fairly enterprising except that the centres and Evans, their full back, cut inside wastefully to negelect the wings. Ackerman, apart from his quick switch of play leading to Moriarty's try, had a quiet game but Rees on the left seems to have found his former commitment.

The back play, however, was only enlivened and enriched when Evans came into the line or when later Davies began to run. The talent is still there but perhaps more thinly spread.

Australia were unfortunate in their injuries to Hawker and Hipwell. When Hipwell went off, Australia were still leading by one point and a narrow victory was still possible. But even Hipwell at his best would have been hard pressed to cope with the intelligent wheeling of the Welsh pack and the later pressure as a scrum.

Australia certainly displayed a brilliant defensive pack in which Cornelsen, Loane and Shaw, their inspiring captain, were key figures. However, having stopped Wales they found that that was not enough.

Jonjo set for coup

RACING

BY DOMINIC WIGAN

THOSE BACKERS who availed themselves last week of the 3-1 offered by William Hill against Jonjo O'Neill riding 50 winners or more this season must be quietly confident.

The popular Irishman seems to be as polished as ever following his long absence and, of almost equal importance, still retains the happy knack of picking the right "spare rides."

This afternoon Jonjo, who brought his tally since his Tuesday resumption to four on Jack Berry's outsider, Clown Court, at Newcastle on Saturday, has an obvious chance of adding to his score through What A Coup.

The grey Malicious mare is certain to make a bold bid for a second course victory in the Berwickshire Chase at Kelso, barring a lapse in her jumping.

A faller last time out, What A Coup had pleased her connections in her three previous outings this term at Perth, Hexham and Carlise.

Philip Tuck, who established himself as the principal jump jockey to Mick Easterby's Sheriff Hutton string last season, is another Northern rider whose winning tally this term will exceed many expectations. He, too, should add to his score this time.

I hope to see Strider Brown provide Tuck with the winner of the Floors Handicap Hurdle in which O'Neill partners last year's victor, Who's Free; while 90 minutes later Underrated should complete a double for Tuck in the Ednam Novices Hurdle.

Further south, Applante should finally notch a win over fences

KELSO
1.15—Dusky Duke
1.45—Strider Brown
2.15—What A Coup***
3.15—Under-rated

NOTTINGHAM
12.30—Royal Mere*
1.00—Aldo
2.30—Applante*
3.00—Salthouse

Why BSC is passing on its social conscience

Hazel Duffy reports on the steel corporation's move to offload its job creation activities

A COUPLE of years ago, Geoffrey Else was running an agency which acted for a Swedish packaging company. Today, he is the proud owner of his own printing and packaging company, which he calls Langfern. He employs 18, and occupies premises on a new industrial estate near Wrexham, North Wales.

The jump from merchant to manufacturer was made possible by BSC Industry, the job creation arm of the British Steel Corporation, which leases the vital machine around which Langfern was formed, and all at a time when Else's bank was saying that it was "sympathetic" towards his proposed new company, but it wanted "a second opinion."

Else admits he was surprised when somebody suggested that BSC Industry might be able to help him. "I could not see what BSC could do for me. I only knew that I had to find some way quickly of securing the machine on which I had an option." Peter Summers, BSC Industry's regional manager on Deeside, was able to arrange the solution for Else in just two weeks.

The British Steel Corporation set up BSC Industry in 1975 to try and bring jobs to those areas where it planned steelworks closures. Dubbed the "social conscience" of BSC, it has been one of the most flexible and probably successful job creation agencies out of a multitude of bodies which have tried to make the consequences of redundancy more tolerable.

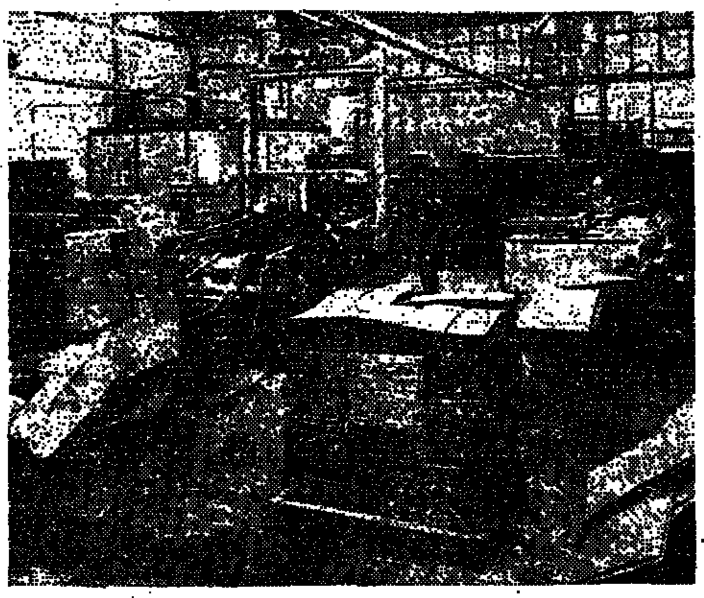
Now, however, BSC Industry is in the process of undergoing extensive changes which will lead to it being wound up within "a decent time interval," as Ian MacGregor, the BSC chairman, told a select committee of the House of Commons earlier this year. The plan is to reduce the involvement of BSC Industry at a national level, while merging the regional operations into a suitable locally-based job creation agency.

It means that in Deeside, for instance, Else and many others like him who need advice and help in starting up and expanding businesses, will be going to the Deeside Enterprise Agency from next April. The agency will be formed as a trust, with Clwyd County Council and local district councils represented, and in which BSC *Industry will have a holding.* The aim is that local companies will also help to back the trust financially.

The decision to phase out BSC Industry at a time when the corporation has recently confirmed that it is looking for another 19,000 job losses may seem premature. These jobs, however—many of them white collar—will be lost from plants being slimmed down, not closed. MacGregor's aim, barring an unforeseen decline in steel demand, is that there will be no more major closures.

John Dunbar, to whom it has fallen as chief executive of BSC Industry to carry through the phasing out, maintains that the corporation only intended BSC Industry to have a life of 10 years or so (although this was never detailed at the time of its being set up). It finds increasingly that the corporation is not the only, nor always the major, source of redundancies in some areas in which it is operating, and that it should not therefore be the organisation which carries all the burden of seeking to provide alternative jobs.

Put more cynically, redundancy, even on the scale caused by BSC in its efforts to become more efficient, does not carry the stigma that it did during the more prosperous period of the 1970s. For BSC, which is being supported by public money, the social conscience aspect endorsed by MacGregor's predecessors is now less pressing.



Langfern Print and Packaging, at Ruabon, North Wales, is one of the companies to be set up with help from BSC Industry

In answer to the question: Would you agree that the functions of BSC Industry should properly be undertaken and financed by Government? MacGregor' somewhat confusing answer was: "Let me just suggest that it is in a sense just that way now. I would say that it probably is a function of some agency other than BSC to carry this out. But, having started it—and it has achieved some purpose—obviously we are planning a phase out in a decent time interval."

Dunbar says of the changes: "The aim is not to walk off the edge but to plan a more efficient job creation role. What is important is that a 'one-stop shop' is there for the entrepreneur to go to, and it makes sense that BSC Industry should participate with local efforts to achieve this."

The first trust to be set up on this basis is in West Cumbria, consisting of BSC Industry, Cumbria County Council, and local councils. BSC is providing initially over half the requisite funds, staff and buildings.

The precise format for each region in which BSC Industry is engaged has yet to be worked out, although the enterprise agency formula, particularly if it can secure company help, fits in with current government thinking in the area of small businesses.

By March 1984, there will be no new money allocated by the corporation to BSC Industry. There will, however, continue to be property owned by BSC, such as workshops created out of redundant BSC buildings, and half of the Deeside Industrial Park which was set up by BSC Indnstry (the other half has been taken over by the Welsh Development Agency), and interest payments on loans which have been made by BSC. The way in which this will be treated has not yet been determined.

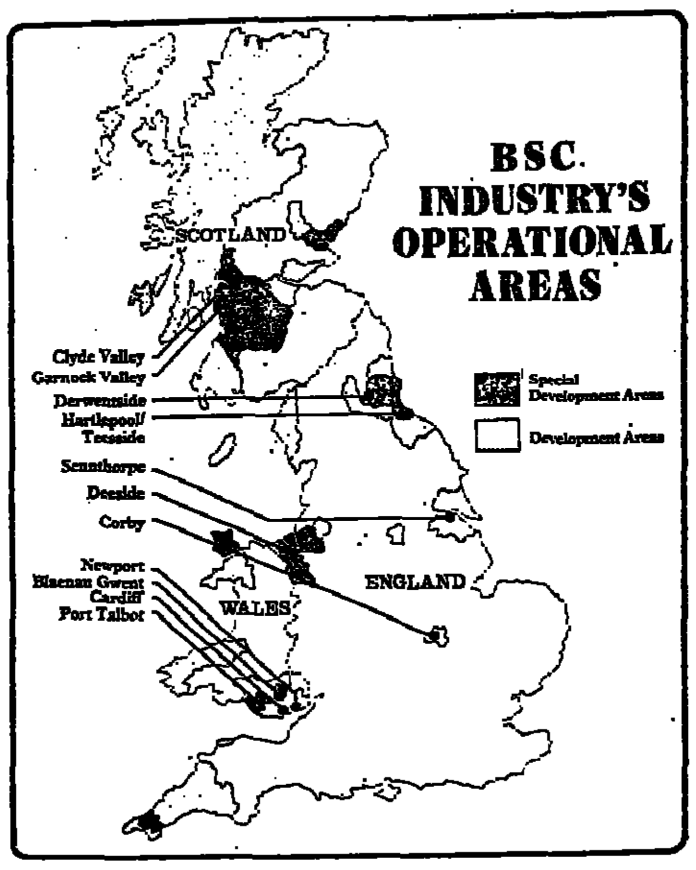
In the period between April 1978 and March 1981, when BSC Industry was at its most active, some £20m was spent on various aspects of job creation. To date, the number of jobs committed by companies which have been helped by the agency is 19,000. The job commitment target by March 1984 is 36,000 i.e. the number of jobs which should be in existence up to three years after that date.

In the 18 month period up to 1980, the cost per job to BSC worked out at around £1,200, but it is now down to nearer £500. The reason, says Dunbar, is that BSC Industry needed to go out aggressively to publicise and entice companies to set up and expand in their regions, but more recently it has become apparent that establishing the level "at which we do not lose jobs" need not be so high.

The companies which BSC Industry has helped vary from large, international projects which theoretically could be set up in a variety of countries, to £5,000 being loaned to a couple of ex-steelworkers to set up their own business. Many, in fact probably most, have drawn support from other agencies as well as BSC Industry. An example of such a company in the Deeside area, is Remsdaq, which has a product — microprocessor-based alarm and control systems — that promises an expanding future.

The company was set up in 1975, and two months ago moved into a purpose-built office and factory on the Deeside industrial park. BSC Industry financed the building of the plant, which it then sold to Remsdaq at a significant discount on market price, constituting a once-only subsidy. In the meantime, the company had raised a loan, with the help of BSC *Industry, from the* European Coal and Steel Community to cover the purchase cost, at an attractive rate of interest. Also, in line with the help that it gives companies to find their way around national and international regulations it secured a regional development grant and selective financial assistance from the Department of Industry.

The company already has an order book of nearly £3m, exports about half its output, spends up to 15 per cent of its turnover on research and development, and employs a *high proportion of technically* qualified people — in other words, it is just the sort of company that high unemployment regions welcome. Nevertheless, budding Remsdaqs are unlikely to receive quite such *generous assistance from* BSC in the future.



Dunbar believes that the small company holds the key to the creation of jobs in the majority of the ex-steelworks areas. *Most of the regions have* suffered from their over-dependence on a single industry, usually steel. The diversity of small business activities provides a much more solid base on which to build future industrial development, while in some areas, such as West Cumbria, and Consett in Co. Durham, it is highly unlikely that any large-sized operation would move in because of the *inaccessibility of these areas.*

In spite of its national image, BSC Industry's achievements have been largely at the local level. The owners of small enterprises in Deeside, for instance, give numerous *examples of the help that* Peter Summers has been able to give. Frequently, this has been in the form of putting them in touch with consultants, another bank manager, etc., rather than coming up with finance of *its own.*

The enthusiastic salesman and owner of a kitchen furniture company in the area could not get enough production from his existing machinery to meet his growing order book. He thought he needed to invest £25,000 in a new machine, but after Summers introduced a consultant, he is now getting 20 per cent more productivity out of his existing machines.

It is this local knowledge that can be more usefully harnessed and controlled at local level, according to Dunbar. A small contingent of staff will remain at head office (recently removed from London SW1, to Croydon, along with most of the rest of BSC) but in time the BSC Industry name will probably disappear.

A couple of hundred miles away on Deeside, where the closure of BSC's steelmaking at *Shotton* put nearly 8,000 people out of a job in the past couple of years, Summers will try as earnestly as before to help companies. He describes himself as "a co-ordinator with hundreds of hidden staff by way *of contacts, and experience*" and those benefits will be no different whether he is working for BSC Industry or the Deeside Enterprise Agency.

CBI's education fund short of cash

THE Confederation of British Industry's Education Foundation, a registered charity that was set up in 1976 to help bridge the gap between the educational establishment and industry, is running into cash flow problems.

An appeal for funds has been endorsed by the council of the CBI. In its progress report to the council, the education foundation reported that present resources, unless replenished, will be exhausted by the summer of 1983. It needs £500,000 a year from that date to allow its work to continue.

Its main function is to influence school curricula and teacher/pupil attitudes "to reflect the *significance of business.*"

Through its "Understanding British Industry" programme, which sponsors various forms of direct contact between industrialists and academics, the foundation now has a core of 500 senior teachers "with enough industrial exposure to provide a genuine insight into the realities of industry."

The foundation also reports that local education authorities have appointed more than 30 full-time schools industry liaison officers to reinforce the work of the programme and other organisations involved in industry-education co-operation.

The foundation believes that the UBI project "has demonstrated that the combined efforts of people in industry and education can change attitudes towards a healthier respect for and understanding of the essential role of industry and commerce."

Arnold Kransdorff

Management abstracts

Developing leadership potential. M. Sinetar in Personnel Journal (U.S.), Mar 81: p. 193 3½ pages)

Offers a definition of leadership, looks critically at the way managements often leave the development of leadership skills to chance or individual resourcefulness, and identifies characteristics of leadership potential/behaviour; suggests criteria for *candidate selection and training.*

The psychosocial impact of a labour dispute. A. MacBride + others in Journal of Occupational Psychology (UK), Vol. 54 No. 2: p. 125 (9 pages, table)

Investigates the performance, health, and anxiety of Canadian air traffic controllers before, during, and after a labour dispute; finds that stress was *markedly heightened during* the dispute; draws conclusions.

Ethics and the executive. H. L. Johnson in Business Horizons (U.S.), May/June 81: (7 pages)

Discusses the nature of ethics, moral dilemmas faced by managers, the diversity of personal values and social views, and criteria for improving ethical behaviour.

Work, stress, and individual well-being. R. L. Kahn in Monthly Labor Review (U.S.), May 81: p. 28 (3 pages)

Surveys research on the biological aspects of stress, immunity from it, and related psychiatric/physical illness; examines implications for the improvement of quality of working life.

These abstracts are condensed from the abstracting journals published by Anbar Management Publications. Licensed copies of the original articles may be obtained at £2.50 each (including VAT and p and p; cash with order) from Anbar, PO Box 23, Wembley, HA9 SDJ.

THE ARTS

Trieste

Nabucco

by WILLIAM WEAVER

In 1901, shortly after Verdi's death, the Teatro Comunale in Trieste changed its name and became the Teatro Verdi, as it remains today. Trieste was also the first city to erect a monument to the composer—work of the sculptor Alessandro Leforet—in 1906, a gesture all the more significant because at that time the port was still part of the Austrian empire. But Trieste had always had a strong Italian element, and naturally Verdi served as a patriotic, irredentist symbol. Twice he was commissioned to write especially for the opera house (the results were *Il corsaro* in 1848 and *Stiffelio* two years later), and his works have always been a mainstay of the repertory.

The first Verdi opera to be given here was *Nabucco* in 1843, and it has remained a particular favourite, not least because of its presumably nationalistic content. It has been revived again and again, including some crucial performances in the 1947-48 season, during a tormented period when the future of the city—occupied by international forces—still hung in the balance.

When *Nabucco* was revived again to open the present season at the Teatro Verdi, the atmosphere was naturally less electric; but it was, all the same, a gala evening, with a packed, enthusiastic house ("Va pensiero," of course, had to be repeated by popular demand) and a generally enjoyable, satisfying performance.

For this new production the designer was Mischa Scandella, whose painterly sets were sometimes impressive, in their louring, neo-barbarian sumptuousness, but too often ignored the demands of the libretto. Notably in the prison scene, when Nabucco is supposed to observe the off-stage march to the scaffold, the baritone had to be presumed to have X-ray vision; and a little later he was made to address a "fatal door," equally invisible. But nowadays when designers and producers make Desdemona die on the floor and place an elaborate tomb in the forest of Fontainebleau, it seems ungrateful to balk at such relatively minor matters. The costumes were generally rich and appropriate.

The real protagonist of *Nabucco*, as all comentators rightly point out, is the chorus and Trieste is particularly fortunate in having a gifted and flexible group, ably trained by Andrea Giorgi. The producer, Dario Dalla Corte, moved them well; entrances and exits were remarkably free of stragglers, yet there was no bustle, no distracting fuss. He was less happy in his management of the principals, who sometimes seemed unaware of the meaning of the words. Thus Abigaille asked who was entering when it was physically impossible for her to have seen anyone to spark the question; and the prophet Zaccaria never reacted to anything said by the other characters. The brief initial love scene between Fenena and Ismaele was puzzling when the lovers, left alone, moved farther apart rather than closer together.

Actually, the soprano Radmila Bakocevic, the Abigaille, has a commanding stage presence, an attractive appearence, and a suitably regal and diabolical manner. Though her voice was srained by the part's fiendish demands, she sang many pages beautifully (the tender moments were moving) and was dramatically convincing. The Nabucco was Kari Nurmela, also an imposing figure, though the voice lacks the snarl that the part welcomes. After a bland start, however, the Finnish baritone warmed and sang with authority. Gaetano Scarino (Ismaele) and Eleonora Jankovic (Fenena) acquitted themselves well in their few solo moments and were an audible, positive addition to the ensembles. The bass Alfredo Zanazzo is young and promising, though still an uneasy, wooden actor; if his Zaccalia lacked physical prominence and dramatic weight, the music was nevertheless well sung. The smaller roles were also capably filled.

The Trieste orchestra, one of Italy's best, played with accuracy and variety of inflection, despite the staid conducting of the veteran Oliviero De Fabritiis, who tended to dull some of Verdi's brightness. Some, but not all; the occasion was joyous and the applause was duly earned and generously awarded.

RSC's last Aldwych season

The Royal Shakespeare Company will begin its final repertoire period at the Aldwych and Warehouse theatres in January before moving to its new home at The Barbicen Centre in May.

At the Aldwych the London premiere of *La Ronde*, by Arthur Schnitzler, opens on January 11 (previews from January 6). It is directed by John Barton with designs by Timothy O'Brien and the cast includes Judy Buxton, Tony Church, Janine Duvitski, Susan Fleetwood, Barbara Leigh-Hunt and Malcolm Storry.

It will be joined a month later by Ostrovsky's *The Forest*, which opens February 12 (previews from February 10). It transfers from The Warehouse.

Alan Howard repeats his performance as Neschastlivtsev and Richard Pasco and Barbara Leigh-Hunt again play Schastlivtsev and Raisa.

Three Shakespeare plays return to the repertoire, *As You Like It*, *Richard II* and *Richard III*, all directed by Terry Hands.

John Bowe, Sinead Cusack, Susan Fleetwood and Derek Godfrey repeat their leading roles in *As You Like It* from January 18. Alan Howard plays both title roles in *Richard II* and *Richard III*.

At The Warehouse from January 18 to February 2 there will be a special festival which will include a series of play-readings, talks, recitals and discussions with writers, actors and critics. Four recent Warehouse productions, C. P. Taylor's *Good*, Beaumont and Fletcher's *The Maid's Tragedy*, Shakespeare's *Timon of Athens* and David Rudkin's *Hansel and Gretel* will return for the final period.

'Incident at Tulse Hill'

Incident at Tulse Hill, the first stage play by Robert East, will open at Hampstead Theatre on December 8 with a preview tonight.

The cast is Maurice Denham, Lindsay Duncan, Alison Fiske, Michael Forrest, Michael J. Jackson and Roland Oliver.

Photograph taken by Gertrude Jekyll of her housekeeper and hollyhocks at Munstead Wood.

Architecture

The Other Half

by COLIN AMERY

With so much attention being paid to the architecture of Sir Edwin Lutyens at the moment it is salutary to look at the work of his collaborator, the great gardener Gertrude Jekyll. Until December 17 at the Architectural Association, 34-36, Bedford Square, London, WC1 there is an excellent small exhibition devoted to the work of this remarkable woman.

Gertrude Jekyll was born in 1843, nine years after William Morris, and her life divides neatly into two parts. In the first half she was searching for an ideal. She wanted to live the life of an artist-craftsman and was inspired in her aims by the writings of Ruskin. After 1889, when she met Edwin Lutyens, she accepted the physical limitations of myopia and devoted the remainder of her life to the art of gardening.

When she was 18 her ambition was clear—she wanted to become a painter and through family connections she met the painters Watts, Leighton, and knew William de Morgan and Ruskin. The greatest influence on her painting was the watercolourist Hercules Brabazon. Her feelings about him were strong and he taught her about colour and the early stages of Impressionism. Around 1880 Gertrude Jekyll gave up painting principally because she had such bad eyesight and very few examples of her work survive. In the Ruskinian tradition she continued to work at her crafts.

She collected as many examples as she could find of the work of local Surrey craftsmen near her family home of Munstead. Iron work, tools, hinges and latches were gathered round her as convincing proof that there was no substitute for "honest handwork." She visited William Morris in 1869 and from that point she was working in her workshop every day. Her energy was astounding and she mastered the crafts of carving, modelling, gilding, repoussé work, inlaying wood, embroidery, and making fine objects of silver.

True to the Arts and Crafts ideals she was able in the house Lutyens designed for her at Munstead Wood to live in a place where everything was "just right—and to see and know that it is just right is a daily reward and a never ending source of satisfaction."

What emerges clearly from the exhibition and the excellent catalogue — both compiled by Jane Brown—is a picture of a woman who was settled and accomplished in so many of the arts before she took up the pursuit that has given her lasting fame—the art of gardening. She met Lutyens when he was just 20 and during the 1890s they evolved a philosophy of the house and garden that was to last throughout both their careers. There were about 100 Lutyens and Jekyll gardens made between 1890 and her death in 1932. It was Miss Jekyll who inspired the subtle and intricate linking of the houses by Lutyens to their gardens — and undoubtedly she created the yew hedges, pergolas, pools and the curved steps that make their gardens so recognisable.

The finest gardens of the partnership made after 1900, Deanery Garden, Marsh Court, Ammerdown, Folly Farm and Hestercombe all extended her initial cottage garden ideas to gardening on the grand scale. Lutyen's strong geometry and almost abstract sense of form made possible a series of gardens that have little parallel outside Italy. The formal geometry ruled the landscape and Miss Jekyll's highly textured and colourful planting gave it all rich life.

The exhibition at the AA has plenty of examples of her work for other architects. She worked with Robert Lorimer, Herbert Baker, Robert Weir Schultz, Baillie-Scott, and Oliver Hill. At Tilney Hall in Hampshire, a house for Mrs Lionel Phillips, the drawings show that Miss Jekyll could work on the large scale without Lutyens and produce a beautiful landscape design.

She seldom visited the sites of her gardens and seemed to be able to gain all the information she needed from plans and correspondence. Her drawings, which are on view at both the Architectural Association and the Hayward Gallery, have been lent from their home in California and it is a rare chance to see them in this country. Her interest in colour and grading is revealed by these drawings—one for an oval bed at Coworth Park has massed red hollyhocks at the centre with the colours fading away through pink to yellow at the edges. It is dramatic stuff.

How safe are these great gardens today? There is only two dozen Jekyll / Lutyens gardens that survive and their fate is far from certain. The National Trust owns two Lutyens houses, Castle Drogo and Lindisfarne, but neither have significant gardens. At Lindisfarne the Jekyll planting was carefully restored in the tiny protected walled garden. At Hestercombe in Somerset the county council, which owns the house, has done a magnificent job of restoration of the entire Jekyll planting scheme. At Great Maytham in Kent, the great garden terrace has been rebuilt by the owners, the Mutual Households' Association, at considerable expense—Lutyens left it sinking on shrinkable clay.

Orchards in Surrey and Miss Jekyll's own Munstead Wood have both suffered deprivations and changes. These changes are particularly sad at Munstead Wood which should really be preserved as though it was a Sissinghurst or Giverny. In Miss Jekyll's day there were 17 gardeners at Munstead Wood—partly working in the nursery that provided so many of the plants for her garden schemes. It is not possible today to do more perhaps than restore as much of her planting as possible and try to avoid the sort of "garden centre" plants that she would have loathed.

Her planting plans are often quite simple and show schemes that could be easily maintained. At the exhibition at the Hayward Gallery there are two paintings commissioned from the artist Richard Sorrell that have successfully reconstructed the gardens at Munstead Wood and at Orchards. These give an excellent and very atmospheric view of the gardens as they were in the 1890s complete with the planting reconstructed from drawings and other researches.

The Gertrude Jekyll exhibition at the Architectural Association continues until December 17, Lutyens at the Hayward Gallery until January 31.

Coliseum

La Traviata

by DOMINIC GILL

Josephine Barstow was the first Violetta of John Copley's justly praised production of *La Traviata* for ENO nine years ago, and she has taken the role regularly since. It is one of her strongest, most perfectly rounded, most compelling assumptions: and no one who has so far failed to catch it should miss the opportunity at one of the eight remaining performance of the present revival between now and January 19.

Her presence demonstrates above all the fatuity of Kobbé's famous remark about *La Traviata* (which may, for all I know, still echo the sentiments of the majority of opera-goers): "Given plenty of melody, beautifully sung, everything else is that rarest of operatic creatures, a singer who is a child of the theatre more naturally and instinctively than she is even a child of music, an actor from the tips of her fingers to the tips of her toes. She is certainly the only person on the stage of the Coliseum during this revival of whom so much can be said. Given the nature of the opera, and its single, unwavering dramatic focus, that is perhaps no serious draback. But Miss Barstow's force-field has unusual potency drawback, but Miss Barstow's the music and the other singers round her (as David Murray related of the same cast and production a few years ago) like iron filings around a magnet — and holds them fast.

The voice, with its hollow vowels and its instantly recognisable, slightly *fruité* timbre, is not conventionally beautiful —but it is used with unfailing artistry, and at its best is uniquely arresting: the whole of the character is concentrated in it. Her final scene is a *tour de force* of dramatic (and vocal) distillation: not a false move, or gauche timbre, mars the simplicity and luminous economy of its progression.

Her Alfredo is David Rendall, a little less than commanding and a little more than comfortably plump for the part, but decent and sincere, agile enough in the high register and nicely tuned. They both play to a new Germont pere of Malcolm Donnelly, who began rather stiffly on this opening night, but soon relaxed and broadened tone and gesture to give a solid, likable—and in his first meeting with Violetta, not uncanny—account of his usually underestimated and often merely cardboard role. The supporting cast is good, though except perhaps for Katherine Pring's effulgent Flora not especially noteworthy. David Walker's sets and costumes still look very fine. Mark Elder's direction of the music has grown deeper and more richly coloured with the years, smooth and unostentatious in phrase, ideally firm in its underpinning.

Wigmore Hall

Parikian-Fleming-Roberts

by MAX LOPPERT

The trio of Manoug Parikian (violin), Amaryllis Fleming (cello), and Bernard Roberts (piano), has become renowned in a relatively short time of existence. Justly so: it contains three recognised soloists who bring to chamber music an authority that advertises their natural distinction in both fields. (Could the trio now perhaps find itself a compact name?) The complete Beethoven piano trios give ample opportunities for discovering and displaying the special virtues of an ensemble; last Friday's opening concert—the other two follow later this month—was planned both as a delightful demonstration of Beethoven's accumulating mastery of a single chamber-music medium, and as series of enlarging challenges to the performers. In both aspects, the plan was handsomely realised.

The opener was Op. 1, No. 1 (the series as a whole closes with the *Archduke*). In its youthfully ambitious, even at times attitude-striking opening movements, the players took their time to settle; the violin was apt to slither, the cello tuning to stray. By the *Allegretto ma non troppo* one could already relish Mr Roberts's gift of setting tempos and moods congenial to his companions; Beethoven's Hayn-like enjoyment in making jokes both broad and metrically foxy was never made heavy-handed, yet the pawky humour came through with a flourish. In the charmingly shameless prolongations of the final close, each new spurt of energy in the music was answered in the playing.

If it is Mr Roberts who must be singled out, this is done not with the intention of making invidious distinctions, but because in the *Kakadu* Variations, Op 121a, and in the richly expansive Op 70 No 2, it is the pianist who regularly forges out on new and crucial paths, and Mr Roberts' way of doing so—witty, self-effacing, lyrical—buoyed up spirits each time. The third movement of Op 70, No 2, so remarkable for the pre-announcements of Schubertian major-minor pathos, gave violin and cello chances for the unfolding of a long, gravely stated (and answered) melody; the big close was a *tour de force*, effortful and effortless in exactly the right combination.

Young Vic

Poetry Olympics

by ALAN FORREST

Running a poetry festival must be like putting on a variety bill in the golden days. Who comes first—somebody to get them out of the bar quickly at curtain-up or somebody not so good to keep them in the bar so they turn up eventually in a state of euphoria? How much time do you give each poet, for poets are difficult to silence when they're away on their Parnassian ego trip?

Michael Horovitz must be the Bernard Delfont of the poetry business. His Poetry Olmypics, which came to the Young Vic recently, worked very well. On the face of it he seems to be a kind of President of Chaos looking rather like a wise owl in a coat of many colours and having to step in and blow his kazoo when things get out of hand.

Bernard Delfont didn't do this, of course, but then he didn't have Mr Horovitz's problems.

The three-day event at the Young Vic played to packed houses. Fifteen or so poets gave their all. Some of the stars disappointed and some of the non-stars did very much better — and that's show business. For example, on the third day a very young audience turned up to cheer Merseysider Roger McGough but got their best kick out of Dubliner Ronnie Wathen reading chunks of James Joyce to his own accompaniment on the Celtic pipes.

The undisputed star was the Russian, Andrei Voznesensky giving the last of his readings in Britain before returning to the Soviet Union. Frances Horovitz did the translation but Voznesensky in full flow in Russian is almost as musical as a good Boris Gudonov and the translation seems almost unnecessary.

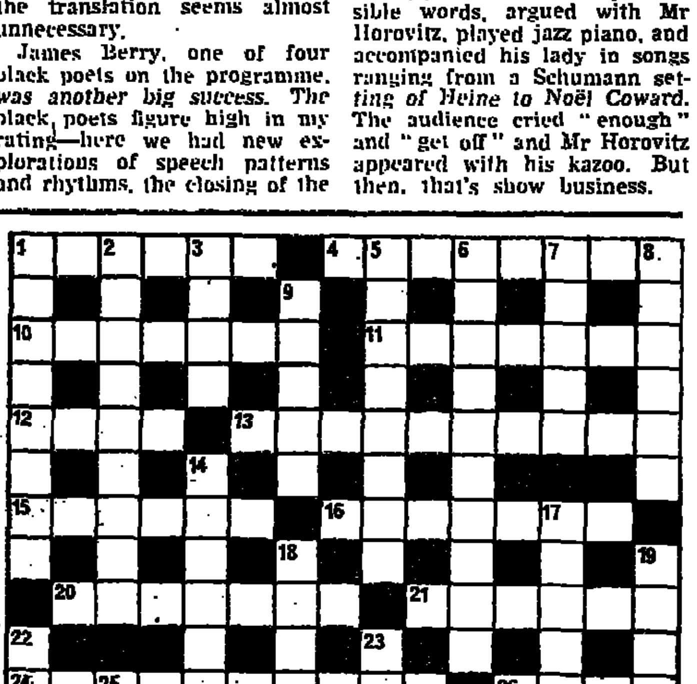
James Berry, one of four black poets on the programme, was another big success. The black poets figure high in my rating—here we had new explorations of speech patterns and rhythms, the closing of the gap between poetry and jazz, and a rousing answer to racialist nonsense about black culture.

It was also nice to sit in on the success of David Gascoyne who at 65 could eat many of the younger poets for breakfast if he was so desperately hungry. I also enjoyed Heathcote Williams, from Wales, who opened the first session with his satirical poem about Tesco, very funny (you can't buy anything you want there) and given a rousing reception by a young audience who probably went off later to eat the nastiest kind of fast food.

But for real subversion, Professor R. D. Laing and Jutta Laing took the biscuit. The professor was in a curious mood, poured out incomprehensible words, argued with Mr Horovitz, played jazz piano, and accompanied his lady in songs ranging from a Schumann setting of Heine to Noël Coward. The audience cried "enough" and "get off" and Mr Horovitz appeared with his kazoo. But then, that's show business.

Theatres are continued on Page 26

F.T. CROSSWORD PUZZLE No. 4,743



ACROSS

1 Uriah Heep said he was the 'umblest one going (6)
4 Shorten contract (8)
10 Guarantee support (7)
11 Injured mother got older (7)
12 Pole to chop up and exhibit (4)
13 Duelling-sword and broken sword producing invective (5, 5)
15 Turning around a traffic island (6)
16 One who struggles on way to river (7)
20 Cut glass part of rectifier (7)
21 Gained knowledge from Shakespearean king and book (6)
24 Box a horse as a boxer should (4, 1, 5)
26 Avoid Sergeant Major's attention (4)
28 An essential part of an electric fire (7)
29 Even distinctive garb could be orderly (7)
30 Spoil a drink in cave by river (8)
31 Shoot a Pole or a near relative (6)

DOWN

1 Meadows in pure delight (8)
2 Dog communist spy (3, 6)
3 Giant therefore turned up (4)
5 Stubborn about red reformation (8)
6 Stupid American attendant needing a lift? (4-6)
7 Engineers with trap set up in river (5)
8 Editor taking course in pasturage (6)
9 Netted me with one shot (5)
14 Insist on a chap becoming a publicity man (5-5)
17 A mean person, popular in gardens, but not in lawns (9)
18 Storm of anger about a small pillar (8)
19 Check male performer of dangerous feats (8)
22 Advertisement to publish (6)
23 Scrub and search thoroughly . . . (5)
25 . . . or scrub broken lance (5)
27 Put fertiliser on fruit-tree (4)

The solution to last Saturday's prize puzzle will be published with names of winners next Saturday.

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Monday December 7 1981

The West must help Poland

WITH PAINFUL slowness, the Polish authorities and the Western banks are moving towards the conclusion of their long-drawn-out negotiations on the rescheduling of this year's slice of Poland's commercial bank debts. But the more fundamental question — what Western governments will be prepared to do to help finance Poland's current account deficit in 1982—is still far from resolved.

Conflicts

The deadline for finalising the bank debt negotiations has been put back from December 10 until December 31, and signature of the agreement will take place only if the Poles first repay substantial arrears of interest. This may prove a very important proviso. Yet whatever the conflicts of interest between different financial institutions, the Western banking community as a whole has no interest in calling a default on Polish debt if it can be avoided; and to the extent that there is any hope that the political upheavals in Poland will one day lead to economic reform and recovery, any bank with a long-term marketing strategy is bound to weigh the chances of Poland becoming once more a valuable market.

Western governments cannot, or at least should not, confine themselves to such bankerly considerations. Naturally, they have to consider whether it is commercially prudent to lend more money to a country which is already grossly over-borrowed; but they cannot avoid the poitical implications of not giving fresh help to Poland.

On paper, the member governments of the European Community appear to have committed themselves to the principle of providing additional financial help. At the end of their recent summit in London, the heads of government said that "they believe that the rescheduling of Polish debt and the provision of new credit would make an important contribution." But the translation of a statement of principle into decisions in practice is proving extremely sticky, and may not be achieved until January or even February.

The immediate obstacle to an agreement is that a number of western governments have still not sorted out their own national positions. This is certainly true of Britain and the U.S., where the Foreign Office and the State Department are advocates of extra help and the two Treasuries are dragging their feet.

Typically, the hard liners argue that the Poles have done nohing to deserve extra help; that Poland is after all a member of the Warsaw Pact; that other, western-allied countries, like Turkey, are more deserving of help; and that in any case our own budget squeeze does not permit such generosity. The soft liners argue that the emergence of pluralisation in Poland is the most important challenge so far to the monolithic system imposed on eastern Europe by Moscow after the war, and corresponds to some of the most basic values upheld by the West in the Helsinki Final Act; and that it cannot be in the interest of the West to drive Poland back into the arms of the Russians by withholding credits.

Inevitably, a great deal depends on the sums involved. Recent forecasts, given by the Polish authorities to western banks, suggest that 1982 will see a current account deficit in hard currency of some $1.3bn, but this appears to be based on the assumption of a severe clamp-down on imports. An American estimate puts the likely deficit at $2bn or slightly more.

Reluctance

These are large sums of money, even if they could be equitably spread among the leading western countries. Given the continuing battle against inflation and the tightness of national budgets, the reluctance of national treasuries to divert scarce resources to Poland is understandable.

Nevertheless, the Polish situation requires that an effort be made by Britain and the other western governments, and made as soon as possible after the conclusion of a bank rescheduling agreement. By common consent, this winter may be crucial in determining the evolution of the Polish political situation, and while the current confusion offers a temptation to wait until the situation in Poland becomes clearer, delay may by itself help to produce clarity of an unfavourable kind. Western governments cannot afford the obloquy of precipitating the collapse of the Polish revolution.

A balancing act in EEC steel

THE European Commission is engaged in an extremely delicate operation with regard to the steel industry—a guided return to viability based on strict controls over output, prices and imports into the EEC, together with a reduction of capacity and the phasing out of government subsidies. All this is taking place at a time of depressed demand for steel which makes the imposition of price increases highly artificial. An added complication is the dispute over exports to the U.S. which is the subject of high level consultations later this week. If through anti-dumping action or some other method European steel is kept out of the U.S., the internal EEC market will become even more unstable and the success of the commission's recovery plan will be jeopardised.

Reduce capacity

So far the commission's activities have led to a distinct improvement in profitability. Although some producers are still making large losses, controls on production seem now to be generally observed and in consequence higher prices have stuck. The biggest test will come at the start of next year, when a 12.5 per cent price increase is due to take effect, followed by two smaller rises in April and July.

These increases have angered steel users and they may not hold. If they do, there is a danger that higher profitability will relax the pressure to reduce capacity and raise efficiency. The new prices are supposed to enable only efficient companies to make a profit; in theory high cost producers should go out of business. But this controlled application of market forces will only work if th inefficient are not kept alive by government subsidies. That is why the commission's policy on state aids is so crucial. Despite the contraction that has taken place in the past few years, there is thought to be a surplus of some 20m to 25m tonnes of annual capacity within the EEC, much of it in the hands of government-supported enterprises.

A detailed timetable on subsidies was agreed by member governments last June. Certain types of "emergency" subsidy are to end by mid-1982, while aids linked to capacity cuts must cease by the end of 1984, and support for financial restructuring by the end of 1985. The commission intends to be aggressive in policing the agreement. There are limits to what it can impose, but some governments may find it useful to blame painful closure decisions on Community rule.

Least bad

Firm action on subsidies is essential both for internal reasons, to give non-subsidised producers a fair chance to compete, and for relations with the U.S. It is doubtful whether the U.S. industry is being injured by imports from Europe (much of the trade is in products like seamless tube for which there is inadequate capacity in the U.S.). But the existence of subsidies gives the American producers a powerful political weapon. So far the Administration has dissuaded them from launching anti-dumping suits; it presumably intends either to stiffen the Trigger Price Mechanism, which fixes a minimum price at which foreign suppliers can sell their steel, or to seek other methods of restraint. From Europe's point of view a modified trigger price mechanism may be the least bad of the alternatives under discussion.

Other sectors

The only possible justification for these moves to regulate trade in steel—within the EEC, between the EEC and the U.S., between the U.S. and Japan—is that without them individual governments will protect their steelmakers in ways which cause greater damage to world trade. They can also provide a breathing space in which the older steel industries in the West can modernise and adjust, so that ultimately free trade can be restored. If this last condition is to be fulfilled, Western governments will have to accept a substantial reduction in the size of their steel industries and, almost certainly, an increase in their dependence on steel imports. Without that acceptance protectionism in steel will become permanent and will spread to other sectors where the West finds it difficult to complete.

THE U.S. ECONOMY

The recovery has been delayed

By Reginald Dale, U.S. Editor, in Washington

THE U.S. is now well into its eighth recession since World War Two, without having ever really recovered from the seventh last year.

It is now clear that the current slowdown will be deeper and longer than the Reagan Administration — and most private economists — originally thought, and it may well get worse before it gets better. The date for the long-awaited upturn has consistently been pushed further into 1982 as the true extent of the downturn has become apparent in recent weeks.

The signs of recession are everywhere—from the plethora of gloomy economic statistics emerging almost daily from Washington to the increasingly desperate tone of advertisements for cars and consumer goods and the lengthening dole queues. To add a note of unseasonal, but representative gloom, General Electric has announced that 600 people will soon be out of work in Plymouth, Florida, following the permanent closure of a plant that makes Christmas lights.

Some senior members of the Reagan Administration, like Mr Malcolm Baldridge, the Commerce Secretary, are still, if increasingly unconvincingly, blaming the indiscipline of the Carter Administration for the country's economic woes.

However, the prevailing view outside, and often inside, government is that the fault lies with the record interest rates and tight monetary policies that accompanied the first months of Reaganomics—not least as a result of the lack of credibility of Mr Reagan's attempts to grapple with searing budget deficits. One Republican State governor recently called Mr Reagan's business renewal programme "an economic Bay of Pigs."

Nevertheless, many leading businessmen are surprisingly optimistic about 1982, and few people doubt that the delayed upturn will indeed materialise, probably by the middle of next year at the latest. But that would be several months later than the Administration was still confidently predicting in the late summer—a miscalculation that has, among other things, thrown its original budget estimates into serious disarray.

The Administration remains persistently more optimistic in its forecasts than most private economists—despite the fact that, over the past few months, the gloomier view has usually turned out to be the correct one.

Mr Robert Ortner, the chief economist at the Commerce Department, said last week that, partly as a result of declining interest rates, the stage was perhaps being set for a spring recovery. Mr Donald Regan, the Treasury Secretary, says that it would not be unprecedented for the growth rate to reach 5.5 to 6 per cent by next summer.

It is true that the U.S. normally recovers faster from recession than most other countries. But many non-government experts believe that the recovery will initially be weak and that it will not be until 1983 until the economy really takes off.

For the Administration the usually optimistic Mr Murray Weidenbaum, chairman of President Reagan's Council of Economic Advisers, recently forecast growth at an annual rate of 5 per cent or more in the second half of 1982. But with negative or nil growth in the first half, he did not expect the overall figure for the year to be more than a 1 per cent upturn.

There is disagreement even about the depth of the recession. Most private economists, and the Commerce Department, believe that Gross National Product in the current quarter is falling at an annual rate of around 5 per cent. Some would say 6 per cent or even more. At the Treasury, Mr Regan is sticking to his estimate of 3 to 3.5 per cent.

Yet whatever the final figure, there is no doubt that the recession is biting, as a glance at some of the evidence shows:

- Indicators. The composite index of leading economic indicators fell 1.8 per cent in October, the third consecutive monthly decline and the fifth in six months. The latest fall in the index, the Government's short-term measure of likely economic developments in the weeks and months ahead, compares with a drop of 0.6 per cent in August and 2.2 per cent in September.
- Unemployment. The November jobless rate jumped to 8.4 per cent from 8 per cent in October — the highest level since 1975, when the country was hit by the worst depression since the 1930s. Many people, including Mr Weidenbaum and Mr Baldrige, believe it could reach 9 per cent by next spring and not fall much below 7 or 8 per cent when the recovery comes.
- Industrial output. October's 1.5 per cent plunge in industrial output (after a fall of 1.2 per cent in September) was the sharpest drop since June 1980, in the trough of the last recession. Mr Baldrige called it "another sign that economic weakness in autos and housing has spread across the industrial sector."
- Shutdowns and layoffs. Christmas shutdowns throughout industry, will be much more extensive than usual. Some plants will be closed for the whole of December, and many will only run for 10 or 15 days of the month. October's lay-off rate at 23 workers per 1,000 was more than double the figure of only three months earlier.
- Bankruptcies. In the first 10 months of this year, according to Dun and Bradstreet, business bankruptcy filings soared to almost 14,500, more than 42 per cent higher than in the same period of last year, and the highest comparable figure since 1962 (though far less than in 1932).
- Corporate profits. Corporate profits have so far held up comparatively well against the depressed levels of a year ago, with after-tax earnings of 518 major corporations rising by around 14 per cent year-on-year in the third quarter, according to a Wall Street Journal survey. But that was considerably less than the equivalent 23 per cent increase in the second quarter, and most forecasters expect a decline in the current quarter.

Orders for durable goods fell 8 per cent in October, the third monthly decline in a row, and investment in new machinery is falling, despite Mr Reagan's business tax cuts, retroactive to January, that were meant to encourage modernisation.

Largely thanks to the strength of the dollar in recent months, imports have been pouring in and the trade deficit widening. Mr Baldridge says the total trade deficit for the year is likely to be "several billion dollars higher" than last year's $36.36bn.

- Cars and housing. November's car sales were the lowest in 22 years, down 16.4 per cent even from the depressed level of a year ago. Housing starts in October fell to the lowest point in 15 years.

For many Americans, it is clearly not going to be a very merry Christmas. The first of Mr Reagan's tax cuts, which went into effect on October 1, helped the average worker to stay just ahead of inflation in October, with real earnings after taxes rising by 0.3 per cent.

However, average spending power was still 3.6 per cent lower than a year earlier, with workers in the wholesale and retail trades, and construction workers, suffering the most. Sears Roebuck, the biggest retail chain in the country, reported a decline of 1.2 per cent in its November sales compared with last year, and most major stores are planning a barrage of extra advertisements and special offers for what looks like an unusually difficult holiday shopping season.

The two bright spots are that both inflation and interest rates are beginning to come down—though, again, later and more slowly than the Administration had originally hoped.

October's 0.4 per cent rise in the consumer price index, lifting it to 10.2 per cent above the same month last year, was almost certainly freakishly low. Even so, the underlying rate of inflation is now widely thought to be around 8 or 9 per cent, well down from the summer, and Administration officials are still confident of hitting their target of an overall price rise for 1981 that just sneaks into single figures at 9.9 per cent.

Falling interest rates, with the consequent lowering of mortgage costs, have played their part. Yet the housing market is still depressed, with an 0.7 per cent drop in house prices in October.

As any government would, the Reagan Administration claims credit for its policies in bringing down the inflation rate, which is expected to continue running fairly well into single figures in the coming months. But that is not the whole story. The recession itself (whether caused by Reaganomics or not) is, of course, a major factor. None the less, the fortuitous coincidence of a period of relatively low price increases for food and energy has also played an important part.

Interest rates are now well down from the near record rates of the summer, for most of which the prime rate stayed at over 20 per cent. The fear in many quarters is that they could start rising again next year, along with the inflation rate, as expansion resumes and the budget deficit hits record levels, boosting the demand for money.

Mr Reagan has now publicly admitted that his target of balancing the budget by fiscal 1984 is a will-o'-the-wisp, and has backed down on some of the additional spending cuts he is seeking for the current budgetary year (fiscal 1982). But he has not yet conceded that the annual deficits likely to be notched up between now and the next presidential election in 1984 could easily exceed the record $66bn set by the Ford Administration in 1975.

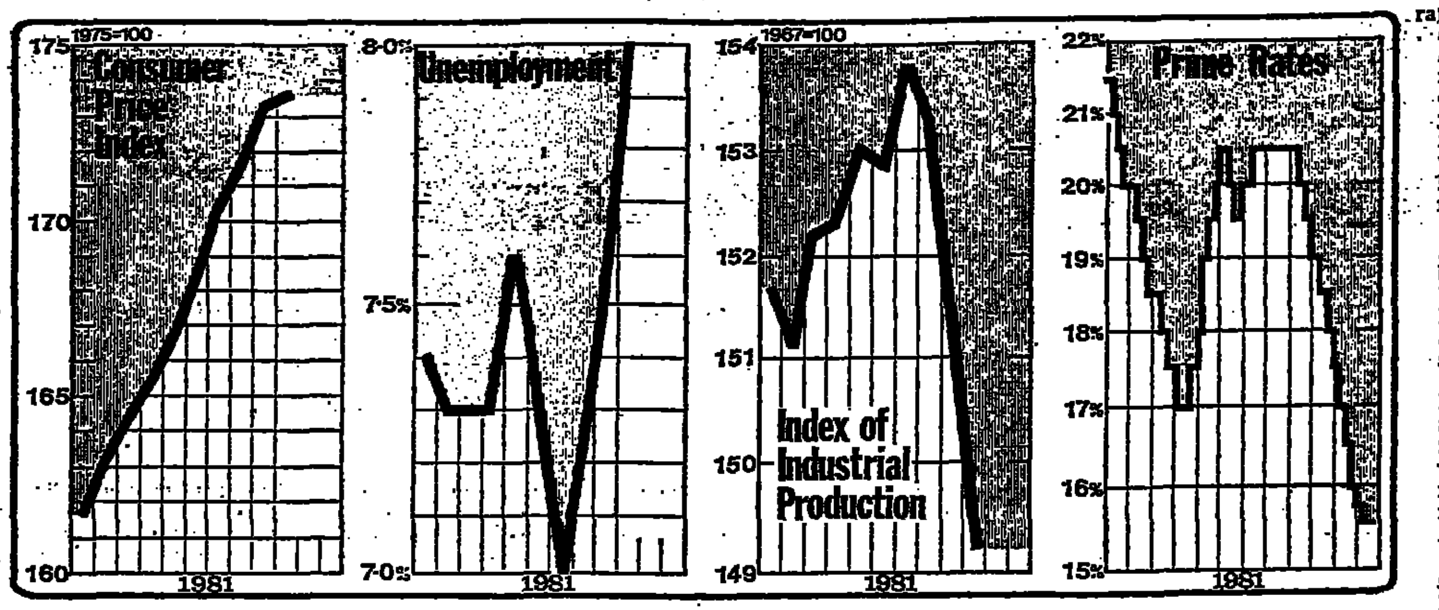
Nor has he conceded that the sort of spending cuts he looks likely to wring out of Congress (an extra $4bn) will hardly make much of a dent in the 1982 deficit—in the absence of a major tax increase. The longer the recession persists, with lower tax income and higher expenditure on social security, the more the deficit can only worsen.

Yet some analysts believe that Mr Reagan, with a bit of luck, could be looking quite good at exactly the time he most needs to—the run-up to next November's mid-term elections. If a strong recovery comes in mid-year, helped along by a further 10 per cent tax cut on July 1, unemployment starts to fall and inflation and interest rates stay at relatively moderate levels, he could be in a fairly strong position to argue that his medicine has worked. Those are fairly big ifs.

None the less, a recent survey of leading business executives by Industry Week magazine produced an amazingly optimistic outlook for 1982. More than half of the 762 respondents, all chief executive officers of large or medium-sized companies, believed that business would improve in the next six months, and only 10 per cent said it would worsen.

The vast majority expected lower inflation, faster growth and a better stock market performance, while two-thirds predicted increased productivity, better corporate profitability and significant increases in capital spending. An overwhelming 90 per cent believed that Reaganomics had a good chance of "permanently changing the economic direction of the country"—one assumes for the better.

That is by no means everyone's view and there is still doubt on Wall Street. The answers may do no more than convince Mr Reagan's many critics of the truth of the accusation that his policies are designed to suit big business. But few people would deny there is a great deal of pent-up demand in the economy — especially for cars and houses — that is waiting to be released when the moment comes. The question is when that will be.



Graham Lever

The Administration remains persistently more optimistic in its forecasts than most private economists ... Mr Donald Regan, the Treasury Secretary (left), says that it would not be unprecedented for the growth rate to reach 5.5 to 6 per cent by next summer.

Men & Matters

Rolling Stones' turn-over

Market forces rule in Washington, OK—as the trade in surplus tickets for this week's three-night stand by the Rolling Stones testifies.

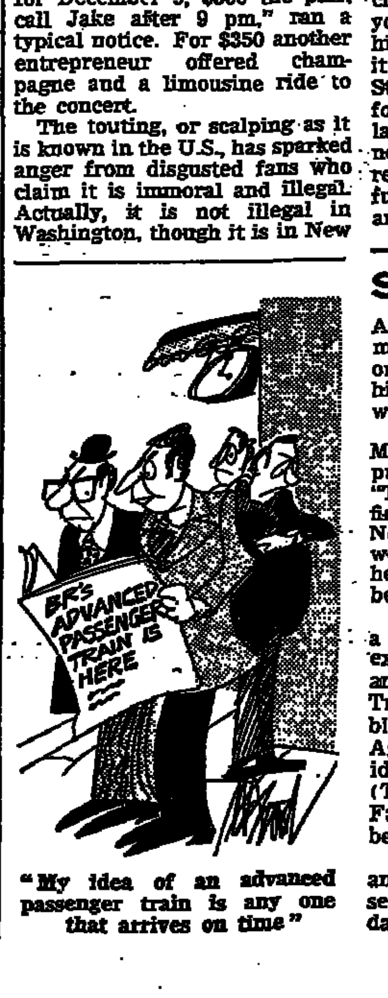
This is possibly the last time this 20-year-old group (yes, 20 years) will play together and ticket touts are asking as much as ten times the official price of $17.50 a seat. The Washington Post's small-ads section at the end of last week bulged with sale offers.

"Rolling Stones tickets: two for December 9, $300 the pair, call Jake after 9 pm," ran a typical notice. For $350 another entrepreneur offered champagne and a limousine ride to the concert.

The touting, or scalping as it is known in the U.S., has sparked anger from disgusted fans who claim it is immoral and illegal. Actually, it is not illegal in Washington, though it is in New York. But the touts are unashamed. "It's supply side economics, man," said one who was clearly right in tune with the times.

Market analysts suggested, however, that demand was unlikely to hold up. The group did not sell out in Detroit and sales at other venues during its tour were slower than expected. By the weekend, the going price seemed to be slipping below $100 a seat and one tout who had been offering a box at $4,000 had come down to three figures with still no takers.

As one veteran rock-concert goer said: "Have you seen them crank up the same old act? Do you realise these guys are hitting 40?" True cognoscenti, it appears, are trading their Stones tickets not for cash but for seats to another concert later this month by AC/DC, the new stars of the scene, whose repertoire includes such cheerful titles as "Highway to Hell" and "Hell's Bells."



"My idea of an advanced passenger train is any one that arrives on time"

Stormont story

After all those political memoirs, it is a relief to find a one-time politician who has put his pen instead to a thorough work of fiction.

Former Stormont Cabinet Minister Roy Bradford has just published in Belfast a novel, "The Last Ditch" set in the final days of Unionist rule in Northern Ireland. "My memoirs would have been a bit boring," he says. "I thought this would be a livelier story."

Some of the characters have a familiar ring: an aristocratic ex-Guards Prime Minister, an ambitious little Minister for Trade and Development, and a bluff, hard-line Minister for Agriculture. But anyone who identifies them as Lord (Terence) O'Neill, Brian Faulkner and Harry West would be wrong, says Bradford.

Nor are there likely to be any Unionists who see themselves in the role of the book's dapper Desmond Carson, Minister for Home Affairs, who is also having an affair with a Catholic girl.

Bradford, now 60, left Ulster politics for business after the collapse of the power-sharing executive of which he was a member. A linguist, he served in wartime Army Intelligence in Europe, and worked as a BBC and ITV producer before his election to Stormont in 1965.

This is his second book—almost exactly 20 years ago he wrote a novel "Excelsior" set in London's TV and newspaper circles—and it will be published in England early next year. But his brave attempt to get out of the usual retired politician's rut already looks like paying off. The novel has gone into a second print within a couple of days.

Out of line

Red — no sorry — pink faces among the bright historians who help staff the Oxbridgish team at the Social Democrats' headquarters.

They have been checking the quotations from 17th century poets so beloved by the party's leadership. The famous phrase "breaking the mould," attributed by Roy Jenkins to Milton, in fact comes from Andrew Marvell. Moreover, the quote like that of Dryden's "dawning of a new age" used by Shirley Williams in her victory speech at Crosby, refers to the restoration of Charles II in 1660.

Not quite the historical precedent the SDP had in mind to follow.

Parting words

The lengths some people will go to have the last word. . . . Some 4,000 have used the services provided by an enterprising Los Angeles company this past year to videotape their last wills and testaments.

Instead of leaving the family lawyer to read out their bequests after they have gone, they can thus reappear before the assembled relatives on film to perform the task.

The disbursement of the family fortune can be enlivened with parting insults, fond reminiscences or advice to posterity according to taste—so long as the whole performance does not take longer than six hours.

Fresh pitch

The protectively paternal arm of stockbrokers Pinchin Denny prevents me from doing more than merely record the fact that the Stock Exchange now has its first woman jobber.

Joanna Bunkham, in her early twenties, was appointed to PD's gilts pitch on Friday, after some two years with the firm. "She has worked hard for the job and thoroughly deserves it," I am told.

I would have liked to share the historic moment with the lady herself but the way was barred. "She is under great pressure already," an anonymous voice informed me against a background of increasing babel.

Up the pole

It is said in Poland that whenever a new chairman of the Communist Party is elected, he is given one important and mysterious instruction. In his desk, he is told, there will be three sealed envelopes. Should a major domestic crisis erupt, he must open an envelope, and take the advice contained therein.

The first envelope, it is said, opens to reveal the order "make a face-saving compromise and give in." The second envelope contains the instruction "It is too late for compromises. Give in immediately." The message in the third envelope is even more to the point: "Make out," it orders, "three new envelopes."

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European governments are coming to grips with the problems of unemployment, inflation and recession despite an atmosphere of continuing crisis. That they are doing so concertedly and within existing political frameworks is a good omen for the continent's future stability and prosperity.

At the mercy of outside forces

By John Wyles

IN A splendidly precise stage direction for his play The Dynasts, Thomas Hardy described a scene in which Europe must be pictured as a "prone and emaciated" figure whose peoples "distressed by events they did not cause, are seen writhing, crawling, heaving and vibrating in their various cities and nationalities."

Emaciation may be more common to the East than to the West, but a sense of popular distress at being at the mercy of events outside their control is as pervasive now as when Hardy was writing at the turn of the century. Despite the rise in popular living standards, spectacular in the West, more modest but none the less real in the East, Europe has spent the post-war years living in the shadow of power.

The longest shadows have, of course, been cast by the super powers, but more recently the power of the oil cartel has brought unprecedented economic strains. Western Europe is also having to adjust to the rise of new economic powers to the east, more competitive and innovative in the case of Japan, and better able to supply a variety of low-priced consumer products in the case of the newly-industrialised countries.

Eastern Europe is sheltered from some, but not all, of these pressures, and has many more of its own caused by extremely high indebtedness to Western banks and the stifling economic and political sovereignty imposed by the Soviet Union.

To the west, Governments are making brave efforts to maintain political and commercial structures in the face of virtually unremitting crisis. Although there are exceptions, most are beginning to grapple with the need to adapt to the changing world system and, indeed, with the need to close ranks to influence the political behaviour of the super powers and the commercial behaviour of Japan.

Nor are they shrinking from the extremely difficult task of restoring some balance and prospects of growth for their domestic economies.

Their courage is often impressive. Take, for example, governments' responses to the most socially and politically wounding crises of the day, unemployment, inflation and recession. Unemployment in the EEC is now around 9.7m or 8.8 per cent and on some estimates could rise to between 12m and 15m by 1985. No single country looks likely to be spared this worsening blight. It spells possible political disaster for several governments. But, however reluctantly, most have imposed painful constraints on their public spending rather then seccumb to the nostrums of evangelical economists who would have them try to spend their way out of the problem.

The new French Socialist government of President Mitterrand has taken the biggest strides in that direction, but it was able to do so as Britain's Mrs Thatcher never tires of pointing out, because it inherited a very low public sector borrowing requirement. It also inherited a double digit inflation rate and an economy which, like most others in Europe, has been steadily declining in competiveness and vitality.

Biggest strides

Governments recognise this and are struggling through prices and incomes policies, investment programmes and public purchasing initiatives to halt what may yet prove to be a secular decline. According to the European Commission, between 1974-80 manufacturing unit labour costs in the Community rose, measured in common currency terms on average by 2.4 per cent in comparison with competitor countries. This was against a background of successive oil crises, low growth, falling investment ratios, declining productivity growth and increasing import penetration.

In its annual economic review 1981-82 the Commission reports that the Community's capital goods industries, on which both the modernisation of production techniques and trade equilibrium depend, are in growing danger.

They will not rediscover their former competitiveness, says the Commission, unless they can carry out the technological revolution taking place elsewhere, particularly in the U.S. and Japan.

The U.S. and Japan inevitably loom large in European preoccupations, both as sources of division between member states and as countries with whom Europe is trying to establish a new equilibrium.

European politicians make less and less secret the fact that relations with the U.S. are becoming increasingly difficult to manage and that since Ronald Reagan's election the number of issues bedevilling the "troubled partnership" are manifestly increasing.

Trade tensions are ever present and, by and large, have been rather efficiently contained during the last decade because both sides have shared the common view of the need to maintain the international free trading system. But the Reagan Administration is introducing new strains by an aggressive attack on the EEC's subsidy system for exporting its agricultural surpluses and a campaign for the removal of government barriers to the free movement of services.

More important is the gulf between European and American views on the management of the international monetary system. Washington's withdrawal from any responsibility for containing sharp fluctuations in the value of the dollar is seen in Europe as an almost malign rejection of the need for a "good neighbour" policy.

The problems of currency instability have been compounded for the Europeans by the climb of U.S. interest rates to record levels. The softening of American rates in the past few weeks has brought some relief, but there is as little confidence in Europe as there is on Wall Street that they will not be on their way up again in the spring.

The greater the difficulties in the transatlantic relationship, the more European politicians are seeking to insulate themselves from the consequences of American policies or to organise themselves in an effort to make Washington attach greater weight to European concerns. Proposals for a "ring fence" of Community exchange controls to protect European currencies from the volatility of U.S. interest rates are one manifestation of this and the move by EEC countries to step up their policy coordination on security matters is another.

Politicians on both sides of the Atlantic seem increasingly to reflect deeper societal changes. In the U.S., the East Coast-educated Europe-orientated generation of leaders has given way to men whose preoccupations are more global and whose perspectives, in the case of the Reagan Administration, derive from the West Coast and echo both nationalist and isolationist instincts.

Protection

In Europe, meanwhile, at least one if not two generations which have now reached political maturity tend to be more sceptical of the benevolence of American power and more anxious to assert the dangers to European interests posed by the fragile stability of Soviet-American relations.

The growth of the peace movement in Europe owes much to the more bellicose rhetoric on military affairs favoured by the Reagan Administration. But it also reflects a more complex evolution of opinion within Europe itself whereby the possible installation of U.S. theatre nuclear weapons is seen as highlighting both the continent's particular vulnerability in any U.S.-Soviet nuclear exchange and ultimately Europe's military status as an American quasi-protectorate.

The politicians' achievement, and here President Reagan must be accorded some "heroic" credit, has been to deliver at the very least a sufficient response. Undoubtedly helped by the October demonstrations in Bonn, Paris, Rome and London, Chancellor Helmut Schmidt and some of his fellow heads of government have been able to persuade Mr Reagan to table "zero option" proposals for eliminating theatre nuclear forces from Europe and the Soviet Union at the arms control talks which began in Geneva at the end of last month.

Rightly or wrongly, the conviction in Europe is that this would not have been the opening American position but for the pressure of European governments backed by street demonstrations.

Indeed, the growing European experience is that the closest possible co-ordination on contentious issues is needed before America starts to try to accommodate European concerns. No one should underestimate the burdens this places on European governments whose economic interests, despite the EEC, are often far from coherent and whose differences over political tactics are often immense.

Such differences also emerge in their dealings with Japan. With this year's trade deficit with Japan heading for $12bn to $13bn after a $10bn deficit last year, protectionist pressures in Europe are becoming intense. Japanese imports of cars and trucks, consumer electronics and sophisticated machine tools have undoubtedly exacerbated Europe's unemployment problems.

Significantly, and somewhat courageously, European Governments have not allowed themselves to be rushed into erecting protectionist barriers, although many have begun to employ protectionist rhetoric.

Restraint

Their first priority, however, has been diplomatic. They have persuaded Japan to restrain her vehicle exports to several countries and, despite the failure of previous attempts, they are leaning very had on Tokyo to take concrete steps to boost Japan's imports of manufactured goods from Europe.

Equally significant is the fact that the Europeans are looking first to possible changes in the GATT agreements to afford more permanent relief rather than resort to unilateral protectionism.

More surprising is the fact that the countries of Europe have avoided raising protectionist barriers against each other in attempt to shelter their most vulnerable industries. All have recognised that no one's steel mills or shipyards can ultimately survive at the expense of his neighbour's and that a co-operative approach to restructuring is the only long-term solution.

The essential conclusion is that governments deserve some credit for preserving and attempting to adapt, where necessary, the international political, economic and trading system in the face of unprecedented difficulties.

The problems may yet prove overwhelming but it ought to be a matter of some satisfaction that traditional political alliances are still holding, that political change still take place peacefully in Europe and that the extremes of Right and Left have so far made only very modest gains in support.

John Wyles is the Financial Times's Common Market Correspondent

Climate right for reform of EEC's shortcomings

FROM THE vantage point of the 21st century, the future historian will almost certainly regard the first half of this decade as a critical phase in the development of the Europen Community. As it approaches the 25th anniversary of the signing of the Treaty of Rome next spring, the EEC is locked into a difficult and agonising reappraisal of what it is and what it could be.

Internal policies based almost exclusively on an increasingly extravagant agricultural policy, a less than perfect free circulation of goods and an almost non-existent common market for services, no longer suffice. Meanwhile, on the external front the Community is under pressure from changing events and relationships to act more coherently and cohesively but finds that it lacks the essential structures to do so with speed and conviction.

A general awareness of these shortcomings means that the climate for reform has not been better for nearly a decade. Within the past six months, the European Commission has responded to the requests of member governments with broad proposals for strengthening existing and for developing new policies, for reforming the Common Agricultural Policy and restructuring the EEC budget.

At the same time, President Mitterrand's new government has weighed in with proposals for a "relance Europeene" and Italy and Germany have produced common ideas for a European "Act" aiming eventually at European Union.

Even the UK feels it has made a contribution to reshaping the Community in the shape of speeches by its foreign secretary, Lord Carrington, urging the pragmatic development of policies which will make the EEC more relevant to "the man on the Princes Street omnibus." All of these various initiatives stem from a combination of specific problems and general anxieties.

The "mandate" which so preoccupied the EEC summit in London 10 days ago is a reflection of three precise difficulties. The first is that the CAP will almost certainly exhaust the EEC's budget revenues within the next few years unless its costs are brought under better control. Secondly, the CAP's share of EEC spending currently around 62 per cent, having been more than 70 per cent two years ago, will rise again after Spain and Portugal join the Community unless reforms are introduced now.

The effect of CAP spending being at present levels or higher, is to limit the opportunity to boost spending on other policies and to impose a disproportionately heavy burden on the UK of financing the Brussels budget.

This last problem is a function of the UK having a relatively small farming sector unable to draw on CAP funds to the same degree as its main partners. Meanwhile, it imports a higher proportion of food and other goods than the rest of the EEC, but is obliged to pay into the Community budget all customs duties and agricultural levies imposed at its borders. The net result is that the UK's net payments to Brussels in 1980-81 would have been in the region of 3bn European currency units and only second to West Germany's payments, but for a temporary arrangement agreed on May 30 last year which has paid most of this money back.

Struggling

Faced with a dangerously expensive farm policy, one member state insisting on longer term relief from its budget burden and a general sense that the EEC must present a more convincing response to economic recession and record unemployment, the Ten have been struggling for solutions.

At the London European Council, the heads of government did the "easy bit" and settled guidelines for developing new and existing policies. These would be implemented when there is full agreement on the CAP and budget restructuring.

These last two points bring a clash between aspirations and reality. While the Ten may aim for rational reform, good housekeeping for the CAP and a recognition that the EEC budget is skewed heavily against the UK's interests, the times are so economically harsh as to discourage any risk taking.

Thus, the Community is dividing between those who do well out of the CAP and would do even better if some of its provisions were applied to Mediterranean products and those for whom the present budgetary situation is so unacceptable that economies are their paramount aim.

France, Ireland, Denmark, Italy and Greece fall into the first category with the Benelux countries on the fringes. The UK and West Germany are quite definitely in the second.

The London summit's modest achievement was to bring about some necessary, but as yet insufficient, coalescence around certain principles. Thus, the Ten may eventually agree that the policy for pricing farm produce must be "prudent" and avoid stimulating overproduction. They will agree that certain steps must be taken to curb overproduction of dairy products and cereals, although what measures and in which circumstances will continue to cause very difficult arguments.

They may even agree on some formula that will try to ensure that the EEC's farm spending must rise at a lower annual rate than the 10 to 12 per cent annual increase in its budget revenues. But the room for manoeuvre is essentially limited by the fact that EEC unemployment is nearly 9 per cent and rising, and that governments themselves have little or no extra money available to cushion their farm populations against a squeeze on incomes forced by CAP economies.

Whatever the yardstick, inflation rates, public sector deficits or balance of payments, the performance of EEC economies is failing to achieve the convergence which membership is supposed to encourage.

It is little wonder that Ireland is a died-in-the-wool conservative when it comes to CAP reform since agriculture provides around 13 per cent of its gross domestic product.

Ireland is only at the extreme of the majority of countries which will not allow EEC reform to impose new financial and social burdens. Some are attracted by the idea of new policies, but these are birds in the bush, not in the hand. Their development, moreover, may prove more difficult than expected because the socialist axis running from Paris to Athens wants a more dirigiste, interventionist Community than the London-Bonn laisser faire approach. This political battle, however, has yet to come.

Economic and political divergences do not preclude any agreement on the major issues, but they do make useful agreements less likely. They also serve to question the wisdom of further enlarging the Community, whatever the political necessities for accommodating Spain and Portugal. On present trends, enlargement will make decisions even harder to reach and could paralyse the Community along North-South lines.

In this respect, Greek Premier Andreas Papandreou's call for special status for Greece reflects a wholly sensible judgment that the Greek economy is too far adrift in its structure and needs from the economies of northern Europe for full membership of the EEC to promise real advantages.

Relief

Increasingly, member governments turn with some relief from internal problems to the effort to develop a common front on major foreign issues.

The notion that they feel relief is not a glib comment because some foreign ministers, notably Germany's Herr Hans Dietrich Genscher and France's Claude Cheysson conspicuously leave the handling of internal EEC issues to junior ministers.

Herr Genscher's main interest is external affairs and this is one of the reasons why the Community was able in October to give a new formal push to its political co-operation.

However, the new commitment in this so-called London Report to consult and co-ordinate on foreign policy has been seriously weakened by the change of government in Greece and Mr Papandreou's insistences on moving ahead of the other Nine on Middle East problems.

The other important aspect of the London Report was the formal acknowledgment that the "political aspects of security" were appropriate for discussion in a Community context. However serious their internal divisions, the Ten feel an increasing need to speak with a common voice to the superpowers to gain an influence that none of them can possess individually.

John Wyles

Mitterrand's pivotal role

THE ELECTION to the French Presidency of Francois Mitterrand in May and of his Socialist majority in the French Assembly in June were certainly among the most important political events in Europe since the enlargement of the EEC in 1973.

Mitterrand's domestic, economic and social policies are regarded by sections of the European Left as a major test of the radical alternative in a recessionary decade, and by the Right as a dangerous experiment which could destabilise both France and her European partners. France's economic and political role in Europe is pivotal and the change of policies associated with the change of government have already brought a major realignment within the European Monetary System and subtle alterations to the political dynamics of the European Community.

Six months after Mitterrand's election is still too soon to arrive at conclusive judgments about what his enduring impact will be. Much can happen during a seven-year term and the policy lines set in the first six months may look rather different in three or four years time.

Indeed, as the new President and his men have adjusted to power, what seemed initially to be winds of change have proved to be rather misleading preliminary gusts. While, for example, the initial enthusiasm for reforming and revitalising the European Community is still potent in Paris, it is clearly being tempered by harsh realities.

Like its predecessor, the Mitterrand government has been ready to play fast and loose by EEC rules to placate sectional interests — by erecting, for instance, barriers to imports of cheap Italian wine. Equally, Socialist Paris appears no more enthusiastic than did Giscardian Paris about agreeing to significant changes in the Common Agricultural Policy despite the fact that it is a suitable case for reform whose weaknesses are an obstacle to the Community's future development.

In foreign affairs, a Middle East policy which was to be securely tied to loyalty to Israel and to the Camp David accords is giving way to a more even-handed approach to the Arabs and a recognition that Camp David may soon be *redundant* as a path to a global Middle East settlement.

All of which is to acknowledge that there are permanent national interests which survive changes of governments. However, new men bring new priorities and the new French priorities are creating both problems and opportunities for the rest of Europe.

Within the EEC there are problems at several levels. In the first place, the Franco-German entente is not working as well as it did, and as a result it is proving more difficult to back up major EEC agreements.

Ideological gulf

Socialist France wants the other Nine to regard the reduction in unemployment as the number one economic objective, and to be prepared to risk higher inflation rates and greater protectionism to achieve it. Chancellor Schmidt and even more so his Economics Minister Count Otto Lambsdorf believe that inflation is the enemy which makes unemployment worse and *protectionism* the recipe for industrial decline and decay.

There is thus an ideological gulf which is an obstacle to agreement on such issues as a medium-term economic strategy for the Community but also, and this more important, on the so-called "mandate" questions. It is arguable that the Ten are still far from agreeing on the development of existing and new Community policies, on reforms to the CAP and on budget restructuring, largely because there is so little meeting of minds between Paris and Bonn.

In the past eight years, a Franco-German consensus, sometimes painfully arrived at, has been the essential prerequisite for any major step forward in the Community. Mitterrand's arrival has made this consensus much more difficult to obtain

Nevertheless, a strong German effort to maintain effective relations with Paris is guaranteed as long as Helmut Schmidt occupies the Chancellery. This means that Germany will almost certainly go further to accommodate the new French Government and this is why smaller member states—Italy, the Benelux and Ireland—believe that Mitterrand's arrival has opened up new opportunities.

After the creation of the European Monetary System in 1978 (and in some respects before it) the Schmidt-Giscard axis *effectively* lost interest in developing the Community and put it into a holding pattern. The British Labour Government had no initiative to offer and after she came to power in May 1979, Mrs Thatcher's first priority was to secure a limit to Britain's budget payments to Brussels.

Mitterrand, through his proposals for a "relance Europeane," believes that the Community must not be left to stagnate and that member states must identify the areas of economic co-operation, industrial development and regeneration which would be better pursued by action at a Community level. This is emerging as a powerful impetus to the European Commission's efforts to advance Community policies on a broad front, and a rallying point for other member states which have been arguing for years in favour of new developments.

Germany and the UK may be somewhat more sceptical, but when they turn to external affairs, they too conclude that Mitterrand has brought welcome changes and new opportunities. His support for the Atlantic Alliance is seen as a desirable shift of French emphasis away from national independence and his unshakeable belief in maintaining the nuclear balance a valuable contribution from the left in confronting Europe's growing peace movements.

Meanwhile, London and Bonn have let themselves be persuaded to travel well down the road towards the French view of the importance of North-South relations and how to improve them. At the same time, Mitterrand has been ready to agree to useful changes in the EEC's political co-operation procedures and machinery and may yet go further towards a closer co-ordination of foreign policies.

Indeed, the tone of many discussions among EEC foreign ministers has been changed by French external affairs Minister Claude Cheysson, plucked by Mitterrand out of the European Commission where he had been tending development policy for eight years.

Immensely clever and impishly rational, Cheysson's delight in thinking out loud both stimulates and occasionally irritates his Community colleagues —particularly when it is done in the company of journalists.

But Cheysson's belief in Europe and France's destiny in Europe is unshakeable and as long as he has the President's ear Europe will not be left to languish for lack of a French initiative, *although its progress* is bound to be bumpy.

John Wyles

The Soviet Union is under strain politically and economically. Anthony Robinson reports

The mounting cost of dominating Eastern Europe

SOVIET HEGEMONY *over half* of Europe was the Soviet Union's greatest prize from its sacrifices during World War 2. But maintaining that control is proving increasingly difficult as national differences and characteristics re-assert themselves.

The Soviet resolve to keep *Eastern Europe* within *its* sphere of influence has not weakened, but the economic cost is rising and the political difficulties are mounting.

Events in Poland over the last 15 months represent the clearest challenge to the Soviet Union's ability to continue imposing its own still essentially neo-Stalinist model on Eastern Europe. But even East Germany, normally thought of as the most orthodox of all the East European regimes, has quietly developed its own brand of economic development while East German youth is showing signs of becoming infected by *the anti-nuclear protests* which they see on West German television.

The Protestant church has also let the authorities know of their concern at the increasingly militarisation of East Germany.

Similar signs of tiredness with propoganda cliches, the persistent failure of the system to deliver a reasonable standard of living and a desire for greater cultural, intellectual and other freedoms can be seen throughout the area.

Same old faces

It can also be felt in the Soviet Union itself, where an increasingly better educated and urban population counts the economic costs of "international proletarian solidarity" in far away places, the massive military build-up and the same *old faces at the top.*

Some 64 years after the revolution and years of war, terror and hardship, the signs of discontent with the rigid, *bureaucratic system* are mounting. Religious feeling, and a growing interest in the pre-revolutionary past and cultural traditions all bear witness to a swelling desire for the re-establishment of links with the past after the brutal attempt to *shrift the Soviet Union on* to a new course.

The terror and ideological fervour which once underpinned the regime has given way to time-serving and a system of *privileges. The gap between* ideology and reality has grown and this has affected not only the Soviet Union and its Warsaw Pact allies but also the ability of the Soviet Union to project its model abroad as something to be admired and emulated.

The obsession with military *strength which possesses the* present generation of leader traumatised by the Nazi invasion, far from increasing Soviet security, has fed Western suspicions of Soviet intentions and brought a new readiness to deal with the Soviet leaders, *not on the basis of their words,* but on their actions.

In public, the Soviet leaders denounce the *West for encirclement* and war-mongering. But privately they must be aware that they were the principal grand electors of President Reagan following their actions in Afghanistan and elsewhere. Soviet power may have increased, but the practical ability to use that power for political purposes has declined, *although the size of recent anti*-nuclear protests in the West may have served to keep the *illusion alive.*

The Soviet Union now has a much more complex and interdependent relationship with the rest of the world than it had, for example, in 1968, when Soviet tanks invaded Prague. This is partly a result of detente *and the rapid expansion of East*-West trade over the past decade, partly a result of the expansion of Soviet influence around the globe.

The political as well as economic and military costs of its invasion of Afghanistan *have proved to be much higher* than expected. Military intervention in Poland would destroy what remains of Moscow's carefully nurtured propaganda image as a benign peace-loving force in the world.

It would also scupper the chances of a reasonable conclusion to important arms control negotiations both for theatre nuclear forces in Europe and the strategic balance with the *U.S. itself.*

It is probable however that in the last resort the Soviet leadership would be forced to sacrifice all these things if *Poland, or any other pact* country, went so far as to demand release from Warsaw Pact or Comecon membership, as Hungary did in 1956. Such an event would carry with it *enormous risks and dangers* because it would call into question the Yalta agreements which form the basis of the post-war organisation of *Europe and in a very short* time re-awaken the dormant question of German re-unification and a whole series of other issues.

The Poles *recognise this fact* as clearly as the Russians. The frontiers of contemporary Poland after all are those traced by Stalin, who physically shifted the country westward on to former German territory. He thus ensured that Poland, *as well as the GDR, retains a* vested interest in the maintenance of a divided Europe and *alliance with the Soviet Union.*

But developments in Poland over the *past* 16 months have driven a coach and horses through the convention of one party, communist rule. They *have also swept away the* blanket of lies and historical *distortion which accompanied* communist rule. Polish culture and Polish history can now be freely expressed and interpreted.

The abolition of double think and double standards may in the long term be the greatest consequence of the Polish revolution. It has certainly helped to compensate for the empty shops, the endless queues and the still downward spiralling economy.

Fear of economic collapse and consequent *social unrest rather* than fear of Soviet tanks is now the main stimulus behind the *attempt to find a formula within* which the "three estates" of the Polish nation can work together *for Poland's economic* as well as political and cultural renaissance. The three estates are the party, now *headed by* General Wojciech Jaruzelski; the Church, led by Monsignor Jozef Glemp, who became Primate of Poland following the *death of Cardinal Stefan* Wyszyinski; and the independent trade union Solidarity, lead by Lech Walesa. This is the Polish version of what the Italian Communist Party used to call the "compromesso storico."

While Poles go hungry and the economy remains in tatters, few will be tempted to follow the Polish path. The real danger of contagion would arise *if ever political and intellectual* freedom were to be combined with practical economic reforms *which made Poland prosperous* as well. From the Soviet perspective, the best position would *be a Poland prosperous enough* to look after itself without fraternal aid—but still closely tied into Comecon and dependent upon the Soviet Union for *its oil and other raw materials.*

There are signs that this is indeed the Soviet aim—as indicated by the Soviet decision to step oil shipments to Poland (*thus removing the need to buy* around 3m tons for hard currency) and give financial and other assistance, including most recently 30.000 tons of meat which is in very short supply in the Soviet Union itself.

But Poland is not the only East European country with major economic problems. Romania is now considered by Western bankers to be in similar straits, Czechoslovakia poor *morale* and insufficient investment in new plant has been exacerbated by a poor harvest *and the Soviet Union itself has* just brought in the third bad harvest in five years.

This obliges the Soviet Union to pay hard currency for over 40m tons of imported grains plus other foodstuffs.

In the long run, the Soviet Union can look forward to sharply higher earnings from *the higher gas sales which will* accrue once the Siberia-West European gas project comes on stream by the middle of the decade.

Until *then, however,* the Soviet Union faces the need for further borrowing to pay for imports of plant and machinery associated with this major project in addition to the technology required to raise productivity elsewhere in an economy severely strained by heavy arms expenditure and a rigid central planning system. *Recession* in the West furthermore will only exacerbate the problems on Western markets.

There is very little satisfaction to be had from the deepening problems of the Soviet Union in Eastern Europe and elsewhere. The failure of the *Soviet Communist Party* congress in February either to rejuvenate the top leadership or introduce any evidence of fresh thinking about the accumulating problems of the area does not bode well for the future.

Without a relaxation of East-West tension, however, the *scope for peaceful* internal reform and a slackening of the arms race is minimal and the problems of Eastern Europe can only get more acute.

But the pressures for change are such that major changes cannot be excluded both in the internal *politics of East* European countries and in relations with the West.

Defence under fire from cuts and protests

NO GOVERNMENT *in Western* Europe dissents from the view that there has been a marked build up in Soviet military strength over the past few years. Neither does any seriously question the consequent need for a strengthening *of Western defences.*

The dilemma facing almost every European state, member of Nato or not, is that these convictions are being undermined by economic and political factors which are seemingly beyond the power of governments to overcome.

As recession bites, defence budgets have come under severe *pressure, while the political* consensus which in the past has appeared to underpin European defence policies is being seriously undermined in a growing number of countries. The British decision last June to chop back its surface fleet and *reduce armed service manpower* is so far the most dramatic example of the first problem. The hundreds of thousands who have demonstrated for a nuclear-free Europe this autumn illustrates the second. The two problems combined have produced the most active debate on defence issues to be seen in Europe for well over a decade.

Of the two problems, the breakdown in political consensus has until recently seemed the most serious. The focus of the peace movements, and of more general debate, has been nuclear strategy in Europe, and in particular Nato's decision, taken in 1979, to "modernise" U.S. Nato-dedicated, nuclear forces in Europe.

This so-called twin track decision *provided for a new* generation of nuclear missiles—472 Cruise and 108 Pershing 2 ballistic missiles — to be deployed in five European countries beginning late in 1983. The weapons were seen as matching the Soviet SS 20s which, the *U.S. claims, have been deployed* at the rate of one a week over the past year.

Talks begin

But hand in hand with the preparations for the missiles' *deployment in Britain, West* Germany, the Netherlands, Belgium and Italy were to go. Ministers decided in 1979, talks between the U.S. and the USSR on their limitation.

The fact that such talks have taken almost two years to get underway has undoubtedly fuelled the popular unease on which the peace movements *have fed as has the warlike* rhetoric and heavy emphasis on rearmoment programmes which have come out of *the Reagan* administration in Washington.

Whether some of the heat will disappear from the debate now that the talks are taking place—high powered delegations from the U.S. and the Soviet Union meet for the first time in Geneva on November 30th remains to be seen.

What is clear now is that *European governments are pro*-foundly relieved that negotiations with the Soviets have begun. Over the past few months, ministers have become increasingly alarmed that they are losing the support of their electorates on the nuclear issue.

Paradoxically, only in socialist France (as determined as its predecessor to keep the French nuclear deterrent and remain outside the military structure of Nato) does there appear to be no vociferous opposition to official defence policies.

But if it is hard at this particular moment to judge the *future significance of European* opposition to nuclear strategy. The economic problems facing defence planners are becoming starker by the month. Indeed, *they are made even starker by* the protest movements, for were European governments to reduce their reliance on the nuclear deterrent they would (it is generally argued) have *to spend very much more* to redress the imbalance which exists between the West and the Warsaw Pact at the level of conventional forces.

The *economic problems* facing Nato countries (and non-Nato members are not exempt *from budgetary pressures) were* summed up recently by the International Institute for Strategic Studies. Nato has reaffirmed its commitment to increase defence budgets by a real annual 3 per cent a year. But the IISS points out that *since the unit cost of new* weapons is rising at nearly 6 per cent a year in real terms and since weapons tend to account for a third or more (in Britain last year it was 44 per cent) of defence budgets, most of the increase will be absorbed *by equipment.*

While many Nato countries, including West Germany, where "rigorous" defence cuts have recently been announced by the *government*, are suffering from an amalgam of these problems, the most dramatic illustration of economic constraints on defence has been in Britain, historically a country with pretensions to a global defence role.

Mr John Nott, the Defence Minister, last June resolutely refused to disclose the financial *framework for his major* defence review, which he conceived as tailoring Britain's defence effort to meet effectively reduced resources over the next six years (albeit honouring the 3 per cent pledge).

The review will result in the loss of nearly 20 warships (leaving an effective surface fleet of only 50 vessels) and some 50.000 men from the *armed services and civilian* jobs. A major dockyard will be closed and other activities tightened and streamlined.

Yet in a speech only last month, not six months after his review, Mr Nott was warning that "radical measures," which would clearly go beyond his defence cuts, would have to be introduced in Britain if the *financial* pressures on the budget were to be eased significantly.

Measures such as "stretching" the potential of existing equipment, *designing* simpler equipment with better sales potential and getting tougher with contractors could, Mr Nott said, "do no more than slow down the rate of cost inflation." The radical measures he had in mind included narrowing the *wide range of equipment used* by the British forces, and introducing much greater specialisa*tion, within the UK and within* Nato.

On the first, Mr Nott said, Britain could "take a unilateral decision to reduce and concentrate its industrial/technological base (to) high value ones . . . such as electronics, *guided weapons and nuclear.*" Or Britain could "agree collectively within Nato that individual countries or groups of countries should concentrate on developing and producing particular types of weapons, thus avoiding wasteful duplication."

The path Mr Nott envisages is a stony one: attempts to standardise equipment within Nato (each country manufacturing guns with the same calibre bullets or making refuelling hoses with the same sized nozzles) are far from always *successful. But efforts to sug*gest that the Dutch, for example, should build frigates instead of aircraft or the British give up their submarine yards and concentrate on avionics have so far succumbed at the outset to nationalistic *political objections.*

It is perhaps a measure of the plight that may be in store across Europe that a British Conservative minister now feels it necessary to make such suggestions seriously.

Bridget Bloom

U.S. refusal to control the dollar upsets bankers

BELIEVERS in 10 year economic cycles might see some significance in the unfolding of events on the currency markets over the past 12 months. In the annals of monetary history, 1971 and 1981 will go down as periods of similar tension in the financial relationship between the U.S. and Europe—but for completely opposite reasons.

Europe had first cause to complain of the American government's "benign neglect" of the dollar during the Nixon era a decade ago. Now, since the coming to power of President Reagan's Administration, similarly dedicated to leaving the fate of the dollar to the tender mercies of the markets, disgruntled European politicians and central bankers are levelling the same charge against Washington.

This time, though, in contrast to 1971 the complaints are caused not by the U.S. Government's lack of interest in the effects of a weakening dollar, but its apparent indifference to its strength.

In both cases, the Europeans have had inflation on their minds. During the Nixon years they were worried about the effects of huge monetary inflows caused by efforts to prop up the dollar. Now they are concerned about the more direct inflationary results of rapid currency depreciation.

Unprecedented volatility of American interest rates has helped to make 1981 one of the most unstable years for currency fluctuations since the end of the fixed-rate Bretton Woods system at the start of the 1970s.

With confidence in the key European currencies, the D-Mark, sterling and the French franc, affected by a variety of home-made political and economic influences, exchange rates would have gyrated anyway.

European central bankers do not argue with the U.S. policy of trying to squeeze out inflation through a tight monetary policy—although they think that the need for very high interest rates would be modified if the Administration lowered its budget deficit-financing demands on the credit markets.

Unco-operative

What irks Europe is that U.S. reliance on attempts to control the money supply over very short periods leads to excessive fluctuations in interest rates which are then passed on to the foreign exchanges. More seriously, they are irritated by America's lack of interest in co-operative efforts to smooth out the exchange rate fluctuations.

Since the Reagan Administration promulgated its new policy of laisser-faire currency economics at the start of the year, the New York Federal Reserve Bank has intervened only once to try to check the dollar's volatility. This was at the end of March on the day of the assassination attempt on President Reagan, in line with the Treasury's policy that it will allow intervention only in time of "crisis."

The dollar's rise against European currencies compared with 1980, which varied between 30 and 50 per cent at the most extreme peaks of the summer, has amounted to easily the biggest currency realignment since the early 1970s.

The dollar has since declined to more acceptable levels, following the latest decline in U.S. interest rates. The pivotal $/DM rate is now around DM 2.25 against well over DM 2.50 in August. But European central banks feel that the dollar is still overvalued. Depending on an easing of political tensions in Eastern Europe and a return towards current account surplus in West Germany, the dollar is expected to weaken further against the D-Mark next year as the U.S. current account swings into the expected deficit.

The effect of the dollar's rise this year has been threefold. By increasing the cost of dollar-valued raw materials imported from abroad—particularly oil—it has put upward pressure on inflation rates in European countries. It has forced world interest rates higher than would otherwise be necessary—the highest since the birth of Christ, grumbled Chancellor Helmut Schmidt at this summer's Ottawa summit—and thus further delayed the international economic recovery.

Lastly, and in the long run perhaps most importantly, it has damaged transatlantic political ties. Together with the U.S. administration's perceived lack of sensitivity in other areas of foregn policy, "benign neglect" of the dollar almost certainly has contributed to differences of opinion over defence and disarmament issues and may yet stoke the fires of protectionism in Europe.

High interest rates and "stagflation" in Europe of course cannot be blamed on the U.S. alone. West Germany would have had to keep interest rates well above its still internationally low inflation rate (around 6.5 per cent, the highest for seven years) to attract capital inflows needed to finance two years of huge current account deficits.

But European central banks still have reason to quarrel with some clear technical faults in the U.S. handling of this year's dollar flare-up.

In quick succession over the past few months, the governors of the West German, British and French central banks and the central bankers' bank, the Bank of International Settlements, have called on the U.S. to resume intervention on the foreign exchanges.

The Europeans say the U.S. Treasury made a clear tactical error in announcing outright in the spring that the New York Fed would be withdrawing from day-to-day operations on the currency markets. This gave the foreign exchanges the go-ahead to chase the dollar further upwards in the expectation that capital appreciation of dollar assets would add to the already considerable profits resulting from high U.S. interest rates.

A view put strongly by Mr Gordon Richardson of the Bank of England and Prof Alexandre Lamfalussy of the BIS is that central banks cannot simply stand aside and leave the markets to their own devices. "There is no neutrality in a policy of non-intervention," says Prof Lamfalussy, who describes central bank intervention as a means of backing up on the foreign exchanges a government's general anti-inflationary policy.

Beneficial

The central banks similarly deride the U.S. view that intervention should be disavowed because it puts taxpayers' money at risk. The huge profits made recently by the West German Bundesbank — which sold during the summer large quantities of dollars which it bought cheaply during the currency's weakness in 1977 and 1978—shows that intervention can benefit national treasurers.

The next stage in the cycle may have a familiar ring to it. As the U.S. slides into current deficit in 1982 and high dollar interest rates are increasingly perceived as more a symptom of weakness than of strength, this year's currency disorder could be reversed.

A weakening dollar could be expected to prompt the U.S. authorities back into the intervention arena. This would be partly to prevent a lower exchange rate seeping through to domestic inflation and partly to guard against the political disadvantages caused by a loss of currency "virility."

Th world has been here before. President Carter came to power in 1977 also determined to allow the foreign exchange market free rein—but after two years of currency tantrums and dollar weakness, by the end of 1978 benign neglect was once more out of fashion. It could happen again in 1982.

David Marsh

Reagan approach worries Europe

WHEN Jimmy Carter was defeated by Ronald Reagan in the U.S. presidential elections a year ago, the prevalent European reaction was one of mingled relief and apprehension.

Relief, because many hoped that the unpredictable oscillations which had marked the Carter years would now give way to a more stable policy stance: apprehension that this more stable policy would be based excessively on bellicose hostility to the Soviet Union at the expense of almost any other consideration.

Twelve months on it begins to look as though the apprehension was more prophetic than the relief. President Reagan came to office with the simple, some would say simple-minded, goal of making America strong again and he has had little difficulty in pushing through Congress a substantial increase in U.S. defence spending, as well as the first phase in his supply-side economic strategy.

But he has had more difficulty in putting together a foreign policy that looks coherent to most Europeans, and the attempts to do so have been made harder by the permanent squabbling between the Secretary of State, the Secretary of Defence, and the White House staff. In this latter respect, the Administration of President Reagan resembles nothing so much as that of President Carter.

Distortion

But apart from the bureaucratic infighting, the aspect of the new administration with which Europeans have found it most difficult to come to terms is the apparently unidimensional nature of the Reagan foreign policy.

No one could have failed to foresee that Reagan would adopt a more anti-Russian posture than Carter, but few anticipated that this anti-Soviet posture would inform, or even distort, every facet of American policy: that the civil war between the right-wing government and the left-wing guerrillas in El Salvador should be made a central test case of Soviet trouble-making worldwide, or that the multiple problems of the Middle East should be redefined as an East-West confrontation, in which the solution was to be found through the heroic myth of a "strategic consensus."

Naturally, this strategic consensus has not been forged. What has caused concern in Europe is the American failure to understand that their belief in it, and their excessive reliance on the instruments of power to bring it about—money and military might—could actually make worse the intractable problems of the region.

After the fall of the Shah of Iran, European voices repeatedly warned the U.S. not to repeat is previous mistakes by transferring a massive U.S. presence from Iran to Egypt. These warnings were not heeded: President Anwar Sadat was assassinated, apparently by Muslim extremists; and within a matter of weeks of his death, the U.S. was staging a large-scale military manoeuvre in Egypt.

For Washington, the greatest threat comes from the Soviet menace; for most Europeans, the greatest danger in the region comes from local instability, whether inside a particular country like Iran, or between states of the region, as in the Iran-Iraq war.

Some European governments, such as that of Mrs Thatcher in Britain, see some force in the American argument that, since Europe is heavily dependent on oil from the Gulf, it must in certain circumstances be prepared to consider the use of force to protect those supplies, or at least must be prepared to facilitate the use of American force. But the general tendency in Europe would be for a preference for more emphasis on diplomacy and discretion, and less on military might, and a fear that the U.S. approach may turn out to be less a contribution to a solution than an exacerbation of the problem.

But the most touchy issues in transatlantic relations are those which lie at the centre of the East-West axis between the superpowers: defence spending (where the Americans say the Europeans do too little); East-West trade (where the Americans say the Europeans do too much); arms control (where the Europeans say the Americans do too little); and Nato nuclear strategy (where the Europeans say the Americans talk too much).

Some of these tensions may be containable in piecemeal fashion; the European governments have been making efforts to match Nato targets, and the Americans have at last embarked on negotiations with the Soviet Union on Theatre Nuclear Forces (TNF), even though neither the Europeans nor the Americans are yet satisfied with the performance of the other side of the Atlantic.

But the underlying differences of outlook may prove more difficult to deal with. Obsession with American weakness and Soviet strength has led the Reagan administration to dwell so publicly and so frequently on the contingent dangers of nuclear war that it has helped to generate a wave of anti-nuclear feeling in Europe.

At a more mundane level, there has been sustained and vocal European disagreement with the Reagan administration's high interest rate policy, because of its impact on interest rates in the rest of the world, developing as well as developed. But it pales into relative insignificance compared with the wave of popular unease over the cracks that seem to be appearing in the strategic relationship between Europe and America.

In substance, the causes of this unease are many years old. There have long been profound ambiguities about Nato nuclear strategy, and the devices adopted for trying to bind the American superpower in with its smaller European allies have so far failed to expunge the fact of the Atlantic Ocean.

What is new is the imprudence of American spokesmen in saying things which draw attention to these problems, coupled with their failure to expound anything that corresponds to a plausible grand strategy.

Ian Davidson

EMS helps to bring calm out of instability

IN THE minds of many, the real question when the EMS was created nearly three years ago was whether it had any future at all. Several early critics of the EMS feared—or even secretly hoped—that it would not for very long resist the combined pressure it would receive both internally, from the continuing divergence in inflation rates and other economic results among member countries, and externally, from the wide exchange-rate fluctuations of third currencies such as the dollar vis-à-vis EMS currencies.

During the first few months of its existence, the EMS was allowed to develop under conditions of relative stability in the foreign exchange markets, as a result of the set of measures to stabilise the dollar jointly taken by the U.S., West Germany and Switzerland in the autumn of 1978; but with the second oil shock the international environment became very turbulent once again, and foreign exchange markets went through another period of great instability, characterised both by the frequency of day-to-day *movements in the dollar-DM* rate in 1980 and 1981 and by the amplitude of the longer-term fluctuations between the dollar, the yen and the ECU.

The average rate of inflation in Western Europe and its dispersion around the mean rose under the impact of the second oil-shock, and of the "third oil-shock" caused by the 45 per cent increase of the dollar against the ECU between July 1980 and August 1981.

Nevertheless, the EMS survived and succeeded in establishing, in this ocean of instability, a zone of relative calm and of relative monetary stability in Europe, thus protecting more than 50 per cent of member countries' trade from overshooting movements in exchange rates.

That the EMS was able to *resist the pressures just mentioned* and to accommodate the internal tensions between currencies they created is due *in part to the elements of flexibility* built into its design. First, movements within the authorised margins of fluctuation—2.25 per cent around the bilateral parities, and 6 per cent for the Lira—as well as reversals of positions within *this currency* band, which can occur in a relatively short period—for instance between January and May 1981 the French franc moved *from the* top to the bottom of the band, changing places with the mark—can reduce the need for interventions. A second element of flexibility comes from the fact that central rates can be changed by common agreement if the divergence between any two currencies becomes too great and too persistent to be accommodated within the authorised margins by interest *rate differentials.*

Modest

Thus, over the 34 months that the EMS has been operating, four realignments of central rates have taken place. They were fairly modest in scale and did not prevent the EMS from achieving a much greater overall exchange rate stability than was ever the case over the *1973-78* period. They were also accomplished promptly and smoothly, reflecting possibly an increased readiness on the part *of participants* in the system to make small rate adjustments when necessary.

But the EMS is very much a human construction and it was not made perfect from the start. Its operation has revealed some weaknesses, the major one being its inability so far to reduce economic divergences among member countries and to make, as it was intended to, *the external exchange-rate* stability the symbol and the consequence of an increasing convergence toward internal *stability. Improvements in the* EMS design and operation are necessary.

When the EMS was created, future improvements were programmed into its evolution in the form of an institutional phase involving the establishment of the European Monetary Fund, which the system was to enter two years after its launching. But the advent of *this second stage has been post*poned with the unfortunate effect of obstructing any suggested improvement as belonging *to the institutional phase* whose postponement had been agreed upon.

A more pragmatic attitude is called for, eschewing any philosophical discussion whether a particular reform belongs or not to the institutional phase and asking what can be done now, *in the line of what has already* been decided in 1978, to improve the functioning of the EMS.

Before recommending a few such improvements, I want to emphasise that in any case there should be in 1982 a renewed and determined effort toward greater convergence of the European economies.

In such an effort toward convergence, the EEC Commission should actively use, as it has done so recently for Italy and Belgium, its prerogative to make specific recommendations to countries which diverge in a negative way from their EMS partners and to watch how these recommendations are followed.

Bringing the pound sterling into the EMS exchange mechanism and thus making the UK a fully-fledged member would already be a major improvement, for which I believe the time has come. If, as it is *now expected, the UK balance* of payments should deteriorate next year, together with the U.S. one, while it would im*prove in Germany, the entry of* sterling in the EMS exchange mechanism at the present rate would help fight inflation in the *UK by protecting the pound* against downward overshooting movements.

It would also give British authorities a more stable framework in which to conduct macro-economic policies than the single-minded pursuit of fixed—but *elusive—monetary targets* has given them.

I would in addition propose to start giving substance to the *future European Monetary* Fund—without having to agree now on all the final form, power and mandate it should eventually have—by setting up a permanent board of the European Monetary Fund—each central bank appointing one member — which would be endowed with the following responsibilities:

- The management of the EMS' external reserves and the control of the creation of ECUs.
- The management of the very short-term and short-term credit mechanisms.
- *The co-ordination of inter*ventions in third currencies, and particularly in dollars. In trying to achieve a better co-*ordination of policies toward* the dollar, our first task should of course be, in the present circumstances, to try once again to persuade U.S. authorities that their policy of "benign neglect" toward exchange rates is not conducive to good results and is particularly detrimental to Western economies and to the cohesion of the Western world. Authorities on both sides of the Atlantic should give a clear signal that they care about the volatility of the dollar and that they want to reduce it, and one way they could give such a signal while reinforcing policy co-ordination within the EMS *would be to set up an EMF-*Federal Reserve swap credit line to replace the existing bilateral swap agreements.

Finally, the development of the permanent board's responsibilities in each of these three fields would call for a parallel extension of the role of the ECU. In the EMS's final stage, it is clear that all the claims and debts between EMS central banks should be denominated and settled in ECUs.

Meanwhile, one could either drop altogether or relax the 50 per cent limit on the use of ECUs in the settlement of debts between EMS central banks. Alternatively, a central bank *could be obliged to accept a* full settlement of its debt in ECUs until they account for a certain proportion of the bank's reserves.

Another direction in which the role of the ECU can be enlarged is in its private use. There are *obvious* steps that could be taken in this direction.

EMS governments and European institutions could issue ECU-denominated bonds or short-term notes, or bonds with an ECU guarantee, and private banks could issue and trade certificates of deposit denominated in ECUs, in the same way as such CDs denominated in *SDRs* have been issued on the London market by a group of banks.

The private sector should *organise* a clearing mechanism for ECU payments and receipts. Finally, making the ECU more acceptable would also imply that national regulations regarding its use should be scrutinised so as to eliminate any discrimination which presently exists against this unit as compared to other denominations such as the dollar.

The experience of nearly three years of operation of the EMS has been very positive. Steps can and should be taken to strengthen it. This should be one of the main tasks of the *ECO-FIN* Council during the first semester of 1982.

Jacques van Ypersele

M van Ypersele is Chef de Cabinet of the Belgian Finance Minister and former chairman of the EEC Monetary Committee.

GROSS DOMESTIC PRODUCT

(at 1975 prices and 1975 exchange rates ($bn) Volume)

	1975	1979	1980†	1980/79* annual %
Canada	163.96	189.53	189.7	0.1
U.S.	1,526.51	1,813.18	1,810.3	−0.2
Japan	498.77	612.47	638.2	4.2
Australia	87.82	97.44	100.1	2.7
New Zealand	13.79	13.96	14.3	2.7
Austria	37.74	44.21	45.8	3.6
Belgium	61.75	69.06	70.0	1.4
Denmark	37.91	43.65	43.2	−1.0
Finland	27.70	30.56	32.1	4.9
France	338.82	391.53	397.0	1.4
Germany	420.29	492.04	501.4	1.9
Greece	20.82	25.36	25.5	0.6
Iceland	1.29	1.52	1.6	2.5
Ireland	8.14	9.52	9.6	1.0
Italy	192.05	223.05	232.0	4.0
Luxembourg	2.30	2.58	2.6	0.5
Netherlands	82.81	93.50	94.2	0.8
Norway	28.45	34.39	35.7	3.7
Portugal	14.72	17.81	18.6	4.7
Spain	104.84	115.51	117.5	1.7
Switzerland	54.30	56.23	58.0	3.2
Sweden	71.99	75.27	76.3	1.4
Turkey	35.95	42.19	42.7	1.3
UK	230.38	253.35	249.8	−1.4
OECD total	4,063.08	4,747.92	4,8062	1.2
North Ameria	1,690.47	2,002.71	2,000.0	−0.1
OECD Europe	1,772.23	2,021.33	2,053.6	1.6
EEC	1,395.26	1,603.63	1,625.3	1.4

* Various base years GDP/GNP growth rate. † Provisional figures.

Sources: National Accounts of OEDC countries. 1979 volume 1, countries submissions and Secretariat estimates.

TRADE OF EUROPE

(U.S.$m)

	IMPORTS (cif) 1979	IMPORTS (cif) 1980	IMPORTS (cif) 1981 (Jan-June) (OECD estimates)	EXPORTS (fob) 1979	EXPORTS (fob) 1980	EXPORTS (fob) 1981 (Jan-June) (OECD estimates)
World	752,364	907,524	411,914	696,912	804,552	370,708
OECD total	559,716	654,531	295,608	532,656	607,704	271,239
North America	65,316	84,888	40,200	46,992	49,944	24,124
Europe	470,808	540,084	239,940	471,348	543,360	240,293
Japan	18,192	23,688	12,884	8,376	8,244	3,974
Oceania	5,412	5,712	2,585	5,952	6,168	2,846
Non-OECD	191,640	251,820	116,061	160,968	191,892	97,253
of which:						
Europe	36,180	43,740	18,486	37,368	41,580	19,876
Africa	45,456	61,164	27,524	43,944	57,780	29,577
America	23,940	30,168	14,495	22,152	25,584	13,414
Far East	25,656	31,788	14,664	23,328	25,272	12,723
Middle East	59,460	83,964	39,865	33,696	41,124	21,439

Source: OECD Statistics of Foreign Trade, October 1981.

Growing doubts over monetary control

WHEN Dr Otmar Emminger, the former president of the West German Bundesbank, retired from office at the end of 1978, he told a farewell gathering of German journalists that they had won his approval on one key issue: their habitual practice of paying little or no attention to the central bank's monthly publication of money supply figures.

That episode alone illustrates that monetarism on the continent of Europe is written with a distinctly small "m"—in contrast to Britain and the U.S., where the present governments came to power with the word emblazoned as the centrepiece of *their economic strategies.*

The essence of monetarism, put at its most extreme, is, as Mr Beryl Sprinkel, America's trenchant Treasury under-secretary for monetary affairs, jocularly told a Paris audience this autumn: "Control the *money supply and everything* else falls into place. Thank you, and good night."

The lesson of 1982 is that it is *more complicated* than that. Few governments in Europe disagree with the proposition that control of the money supply is *necessary* to lower inflation. Nearly all EEC countries set monetary targets in one form or another—and in most cases over the past year the targets have been met. But no-one any longer believes that bringing down the money supply by itself is sufficient to expunge all economic ills.

With unemployment rising almost everywhere in Europe to unprecedented post-war levels, central banks are under pressure to take a less restrictive monetary course and modify interest rate rises.

At present, there *is little sign* that they are giving in to such demands. Even in France after the advent of a Socialist Government, *the authorities* are keeping interest rates high, partly to ward off the inflationary effects of further currency depreciation.

There is however growing doubt about whether central banks command *the* right techniques for correctly measuring the money supply, let alone controlling it — and even if they think they can do these two things, whether they are looking at the right indicator.

Mr Charles Goodhart of the Bank of England has pointed out that the significance of a chosen monetary aggregate seems to diminish in proportion to the efforts made to track it as an economic target—a kind of Heisenberg's uncertainty principle of the money supply.

Doubts about the theory and practice of monetary control are most pronounced in the UK. The Conservative Government, since it came to power in May 1979, has watched the chosen benchmark of *monetary stringency, sterling* M3, grow by roughly 50 per cent, or more than twice as much as its target—and has at *the same* time presided over the worst recession since the Second World War.

Three factors

The waywardness of Britain's main monetary aggregate has been caused principally by three factors: the abolition of the "corset" controls on the banking system last year, the civil servants' dispute this year which has held up tax payments to the Exchequer and grossly distorted the statistics, and increasing competition by the banks to attract *deposits for mortgage* lending.

There has also however been a more fundamental factor at work, in the *form of a particu*larly vicious circle. The tougher the monetary squeeze, the more hard-pressed companies (at *least in the short term*) have to borrow from the banks to cover running costs and pay high interest rates—and the higher *shoots* the money supply, which causes the authorities to squeeze even harder.

Confirming the pragmatism of *Continental* monetarists, the Bank for International Settlements the Basle-based central *bankers' bank, is in the fore*front of those urging — like Dr Emminger—that not too much attention should be paid to *short term money supply* changes.

In terms of almost mocking condescension, the BIS in its annual report last year labelled Britain's economic policies as "an experiment akin to those always available in the natural sciences." In *this year's report*, the BIS noted that nearly all the major industrialised countries which set monetary targets *had managed to meet them in* 1980. "A marked difference between objectives and outcome," it wrote with studied *understatement, "was apparent* only in the UK . . . The target set did not allow for the complexity of the situation which *actually developed.*"

Apart from the importance of a complementary fiscal policy in the fight against inflation—an *area which central bankers feel* has been relatively neglected during the last two years—the BIS also places weight on the *need for some kind of incomes* policy to back up efforts at monetary control.

The countries taking part in *the European Monetary System* —of which Britain is not a full member—also use the exchange rate as a published target to add to anti-inflation discipline.

In the past, when there has been a conflict between exchange rate and internal monetary *objectives*, money supply considerations have often been overridden. In 1978, West Germany and Switzerland—the two European countries which have had most success in bringing down inflation through monetary and other means—allowed their money supply measures to overshoot set targets by a wide measure because the Deutsche Mark and Swiss franc exchange rates came under strong upward pressure.

During 1980 and 1981, the two countries—now faced with depreciation pressure on their currencies — have squeezed money supply growth sharply. Switzerland, which sets a target path for the monetary base, has restricted growth in this aggregate practically to zero to allow for the situation on the foreign exchanges.

With monetarism now demonstrably taking more of a back seat, the controversy will continue to rage whether the burden of the fight against inflation should be shifted further away from monetary restraint towards deficit-cutting fiscal policies. The BIS and central bankers like Herr Karl Otto Poehl of the Bundesbank have complained that monetary policy is being over-stretched.

Given the fact that most countries' recent fiscal policies, *in* underlying terms, have already been quite restrictive (as "recession-adjusted" figures from the OECD show) and that further cuts in budgets are extremely unpopular politically, it seems likely however that central bankers will continue to take the strain. At least they will remain where many of them like to be—in the limelight.

David Marsh

Unemployment dilemma is likely to get worse

EUROPEAN UNEMPLOYMENT is beginning to look like an electronic scoreboard; whirling digital figures on one side and then, as the eye shifts to the left, the more slowly changing but more significant numbers. At present just over 9.7m are unemployed in the EEC, but early next year the scoreboard will be an eight-figure one as the jobless level passes 10m on its way towards a likely minimum of 12m by the mid-1980s, and quite probably a good deal more.

Inside the European Commission, some experts are beginning to look more closely at the 15m registered unemployed by 1985 figure that, when first projected for the EEC, seemed like scare forecasting. It was arrived at in the late 1970s by a number of analysts who based their calculations on the twin phenomena of the 1960s "baby bugle" that was beginning to pour school-leavers onto the labour market in unprecedented numbers, and of the collapse of traditional manufacturing industries.

At that time, EEC unemployment was around 6m people and the possibility that the total might grow by two and a half times in only six or seven years seemed remote. Now, the European Trade Union Confederation in Brussels is suggesting that the figure could double to reach 18m in the EEC in four years' time, while other experts overlaying the potential effect on work of the micro-technology revolution arrive at unempolyment levels that are hard to absorb.

They point to somewhere between 35m and 70m people being unemployed by the 1990s in the OECD countries, where the total is currently around 23m. Their assessment is that, when it comes to the application of new microchip technology, Europe's traditionally high employment levels are threatened both by adopting the equipment and by refusing to do so. In other words, damned if we do, and damned if we don't.

The argument is, of course, that failure to benefit from the productivity gains offered by the new technology in offices and factories would condemn Europe to becoming less internationally competitive than ever. Forced to import manufactured goods from more efficient economies, EEC employment would steadily decline. Producing and harnessing the new technology, though, could have similar effects on employment.

The argument over whether the microchip will prove to be a jobs destroyer is certain to rage for years to come, but the bottom line of the calculation must be that if overall productivity outstrips production then employment inevitably drops.

Biting the political bullet and admitting that no improvement in the unemployment level lies just around the corner is something that few EEC heads of government are currently prepared to do, even though it is in effect what Britain's Mr Ivor Richard, the EEC Social Affairs Commissioner, has been urging *on member states.*

Dramatised

The effects of the baby bulge, which in the years 1980-85 involve some 8m new jobseekers arriving on to the EEC's labour markets, have in fact only dramatised an unemployment problem that has been quietly growing for almost a decade. From 1973-79 the EEC as well as Japan and the U.S. in effect brushed their unemployment problems underneath the carpet.

They did so by trading productivity in favour of jobs. Had they retained the high productivity gains they all made in the 1960s it has been calculated that by 1978 their combined dole queues would have topped 40m people, instead of the 13m actually recorded. In the UK, for example, joblessness would have been 3.6m instead of 1.4m, and it is probably a poor example because Britain had less productivity than most to trade off.

In any case, the point is that most EEC countries no longer have any productivity fat to shed as a means of buttressing employment. On the contrary, they require real productivity improvements to regain their much blunted competitive edge in international markets.

That in turn throws serious doubt on the EEC member States' ability to tackle the jobs issue, for most European countries have already created the service sector and "non-market" public sector jobs that were possible to absorb the jobseekers of the seventies. Massive reflations of EEC economies are clearly out, and would in any event most likely be counter-productive. Work-sharing, ranging from early retirement to shorter working *hours to the suppression of* institutionalised overtime, may be a palliative, but it is no cure.

The dilemma is that at the same time, the EEC countries can increasingly ill-afford not to have high employment levels. Some experts now believe that the "dole drain," the direct cost of unemployment on the Exchequer that in Britain is variously being put at somewhere between £8bn and £12bn for 1981 alone, is only a small part of the total economic cost of the dole queues.

West German analysts have put the "opportunity cost," meaning the wealth lost through the diminished output and economic slowdown that is both cause and effect of high unemployment at four times the direct Exchequer cost. A 1979 calculation, when EEC registered unemployment was 6m, put the Community's lost output at $75bn, or 4.5 per cent of EEC gross domestic product.

Even in the more measurable terms of direct costs, taxes lost and benefits paid, the outlay by EEC Governments on job creation and protection remains comparatively small.

With that in mind, EEC States' willingness to heed the warnings—not least those of the European Commission that the Community is "destroying its future"—of political and social trouble, should be increased. Potentially, the EEC could more or less hold the line on unemployment through embarking on a strategy of work creation. From house construction to infrastructural development, public spending could inject a fresh stimulus and breathe new life into many of the ailing over capacity sectors.

The social and therefore political implications of high unemployment have still to be fully assessed, let alone grasped by Governments that have been lulled into a sense of security by the calm that has so far accompanied rising unemployment in Europe. Rioting in Lorraine in 1979 and the brief flare of youth violence in British cities in mid-1981 have been the exception rather than the rule.

Fundamental

Volatile politics are, however, only the most identifiable and *easily recognisable result of* the growing competition there will be for jobs—between EEC members as much as between different segments of society, notably the racial minorities. A fundamental difficulty that has yet to be addressed is the question of how to reward those people who are unable to work. The thorny matter of persuading European workers as a whole to price themselves back into work by accepting lower wages may well be the issue of the eighties, but by the nineties it may well be that a fifth of the EEC working age population is deprived of the means to earn a fair living. The Community's present problems of economic convergence and budgetary reform pale by comparison.

Giles Merritt

UNEMPLOYMENT

Country	1979†	%	1980†	%	1981†	%
Austria	57,000	2.0	53,000	1.9	41,000	1.4
Belgium	294,000	10.9	322,000	11.8	396,411	14.4
Denmark	159,300	6.0	180,200	6.9	208,500	7.9
Finland	139,000	6.2	114,000	4.9	134,000	5.2
France	1,350,000		1,451,000		1,746,000	
West Germany	876,000	3.8	889,000	3.8	1,289,000	5.5
Greece	32,000		37,000		23,000	
Ireland	89,600		101,500		127,500	
Italy	1,698,000	7.7	1,698,000	7.6	2,013,000	8.8
Luxembourg	1,055		1,094		1,438	
Netherlands	210,000	5.1	248,000	5.8	407,000	9.6
Norway	24,100	1.3	22,300	1.2	30,800	
Spain	1,037,000	9.2	1,277,000	11.8	1,525,000	
Sweden	88,000	2.1	n.a.		116,000	2.6
Switzerland	10,300		6,300		4,600	
Turkey	170,700		256,300		241,600	
UK	1,307,000	5.4	1,668,000	6.8	2,662,000	10.9
Yugoslavia	762,000		785,000		763,000	

† Mid-year figures.

Source: OECD main economic indicators, October 1981.

Countering the Japanese threat is still the major challenge

Trading position set to improve

"FACED WITH difficulties, one sees faults in others rather than reflecting on the possibilities of improving one's own behaviour." Mr *Kunihiko Saito*, the Minister at the Japenese Embassy in Brussels, observed during October.

He was intervening in the running dispute between the EEC and Japan about Japan's rising trade surplus and its imports policy. It was a biting comment, reflecting on the growing introspection of the EEC as it combats recession and sluggish trade growth.

But he had a point, for Japan has become the bogeyman of Europe, just as the U.S. was the bogeyman of the 1960s.

Yet at least part of the sensitivity in Europe, and not only in the EEC, about Japan has been caused by a shifting in the conditions of trade which left Japan better able to compete after the 1979-80 oil price rises than other nations.

Strains

The European competitive position has been eroded, but now shows some signs of improving. Yet the improvement is unlikely to be marked enough to relieve internal strains in the short term. Pressures to isolate industry from competition will continue and the reaction to such pressures will have a lasting impact.

European Commission studies have shown that EEC industry has been labouring under cost and productivity disadvantages compared with competitors in the world's two other major trading powers, the U.S. and Japan.

During the period between the first oil crisis and 1980, EEC unit labour costs were rising 2.4 per cent annually in relation to competitor countries. But the U.S. had an annual fall of 1.5 per cent and Japan had a fall of 1.8 per cent.

Although wages in Japan and the EEC rose faster than those in the U.S., the rise in productivity in Japan was 7 per cent, compared with 3.5 per cent in the EEC and 1.5 per cent in the U.S. "Labour cost per unit of output accordingly rose over the period at annual rates of just under 10 per cent in the EEC, 8.5 per cent in the U.S. and 5.5 per cent in Japan," the Commission noted.

Further, EEC competitiveness has also been hurt by currency movements. Both the dollar and the yen depreciated between 1977 and 1979 and the *strong performance of U.S. and* Japanese exports since then has been due at least in part to the delayed effects of this movement.

This year, the appreciation of the dollar has caused deterioration in the EEC terms of trade but the consequent relative depreciation of European currencies should, over the remainder of this year and in 1982, make EEC exports more competitively priced. By last August, the ECU had declined in value by 28 per cent from its average 1980 level against the dollar.

The problem is that the appreciation of the dollar, in which many commodities are denominated, may increase unit labour costs within Europe.

But the Commission expects that "in 1982 the EEC's terms of trade loss should be much less than in 1981, and while the volume of imports should start to rise again quite briskly, the volume of exports should rise even faster as EEC exporters make further gains in their shares of more buoyant markets."

Such a movement may serve to re-establish the EEC in markets where it *has been losing* its share of imports compared with both Japan and the U.S. For some years the growth in volume of EEC exports has been slower than the growth of the export markets.

Last year, the secretariat of the General Agreement on Tariffs and Trade noted, the volume of EEC exports rose by just 1 per cent compared with 7 per cent in 1979, although their dollar value rose by 15 per cent. The volume of exports from European Free Trade Association countries, however, rose by 3.5 per cent while their dollar value expanded 18 per cent.

Such slight growth in exports reflected the impact of the recession on general trading conditions, but also they rid strains within Europe springing from the need to adjust or withdraw from traditional industries in the face of newer producers. The general picture disguised particular problems.

Over the last decade especially, the emergence of Japan, followed by inroads made into markets like textiles electrical goods, steel, and footwear by countries such as South Korea, Taiwan, Singapore, Hong Kong and Brazil, has exposed weaknesses in European industry. And these weaknesses have become more apparent because the new producers made their presence felt after the rapid growth of world trade in the 1950s and 1960s had slowed.

Impaired

Reduced demand, seen in the recession of the mid-1970s and again since the 1979-80 round of oil price increases may permanently have impaired the ability of some sectors to compete internationally on the scale of the years up to 1973.

"More traditional industries such as those manufacturing metal products, and even more so those producing industrial machines, have had growth rates of only around 1 per cent, or indeed negative growth rates," according to the European Commission.

"The duration of this contraction in demand is itself undermining the capacity of these industries to adjust to technological developments, resulting in a very low level of growth in their investment and productivity," the Commission observed.

The success of the Japanese push into European markets owes much, by contrast, to the ability to mobilise technological change with extensive investment backed by financial resources which allow a market to be nursed in the short term in the knowledge of future long term gains.

The reaction within European industry has been either to seek restraint on the part of the exporters or to put barriers in their way.

Already, agreements have been reached by industries with *their counterparts* abroad defining appropriate market shares: the UK motor industry understanding with Japanese car manufacturers is a case in point. And there are more institutionalised restrictions in other areas.

The EEC maintains a panoply of bilaterally negotiated controls on steel imports from sources ranging from Eastern Europe to South Korea, while seeking to maintain minimum price levels and producer quotas within the EEC.

Textile producers have pushed EEC member governments into adopting a rigid stand on imports from developing countries in the talks for a new international Multi-Fibre Agreement to follow on those in place since 1973.

The restrictions and the demands for them have in common the desire to buy time for industrial adjustment to take place or for industries to change sufficiently to be able to cope with cheaper imports. But critics of such policies have consistently argued that import restrictions, in whatever form, are an immpediment to adjustment and change.

There are those who doubt that Europe will ever again have general steel, shipbuilding or textile industries which will be internationally competitive. Such industries are best left, it is suggested, to countries with lower levels of technological development than those prevailing in Europe.

The European Commission has suggested four areas which, if developed, could either be substitutes for declining industries or could help to transform the production methods of sectors considered to be in decline. They are energy, microelectronics, aerospace and biotech*nology*.

But the long haul to develop such industries, often in the face of leads established by Japan and the U.S., is of little immediate help to political leaders faced with the problems of high unemployment.

Thus there is an attraction in protectionism, in spite of more general fears that the trading system might seize up, creating more widespread problems of unemployment than exist already.

At this stage it is not clear whether the political leaders will seek to stimulate competitiveness through competition. But the course they follow is crucial. "International divergencies are beginning to appear, not only in the priorities of economic policy, but also in the adjustment capacity of individual economies," Gatt's secretariat said. "Policy choices made in the next year or two in such areas as inflation, protectionism and adjustment are likely to determine the economic character of the remainder of the decade."

Paul Cheeseright

Trade competes with aid in North-South relations

IT MAY seem churlish to ask whether Europe is exacerbating hunger in the Third World. After all, this year has seen France announce it will double its aid programme and leading EEC countries work to educate President Reagan on the problems of developing countries.

But the question is sometimes posed by those who look at the totality of EEC policies. For the Ten are not just aid donors but are a major trading bloc. Even more important than the development funds they provide is the impact of the Common Agricultural Policy, of domestic industrial policies and European protectionism.

The CAP has long been criticised in the Third World. This autumn the World Bank entered the fray. In its annual development *report it emphasised how* it is not just the European consumer but also North African, tropical and other food producers who are hit by the surpluses stimulated by the policy.

Now the focus of anger in the developing South is the Common market stand in negotiations on a new world textile and clothing trade agreement.

Here Britain has led efforts to persuade the community to demand "negative growth" rates in exports. Late last month the EEC slightly softened its position in the *so-*called Multi-Fibre Arrangement negotiations. But it is still offering major exporters the *prospects of virtually no* growth in their sales.

By contrast, the Reagan administration has taken a slightly more liberal stand, meaning that there is less of a division between angels in Europe and devils in America than is some*times implied.*

A further area where there is pressure for change is in the structure of the EEC's tariffs, which tend to penalise developing countries the more they process items before export. Unprocessed goods and raw materials attract far lower tariff rates than manufactures, a factor working against the developing of local industry.

Further, the Lome Convention between the EEC and developing countries in the African, Caribbean and Pacific areas *(ACP) has been running* into some difficulties, in particular where it attempts to stabilise commodity prices.

Out of cash

The Stabex system is designed to cover the *ACP* against shortfalls in export earnings from 19 commodities, ranging from cocoa, coffee and groundnuts to cloves and ylang ylang. The long fall in prices of the first two of these and a poor groundnut harvest last year meant that Stabex simply ran out of cash this year.

One of the problems which has yet to be tackled is the lack of any mechanism in most capitals for an overall co-ordination of national policies towards developing countries. The relative lack of co-ordination between ministries of finance, foreign affairs, trade and aid is less seen in the Berleaymont *building where DG 8, the direc*torate general for development, has proved something of a force, not least because of the energy of its *last commissioner*, Mr Claude Cheysson, now French Foreign Minister.

The Commission has long pressed for more coherence on policy towards the developing world. It has been quietly arguing, for instance, that whatever the oil companies' interests it is to the overall advantage of EEC members to help build up developing countries' oil output.

The Commission stresses that the current economic problems of the industrialised world must be solved within the context of North-South relations. It also talks of maintaining "stability in its neighbouring regions," for instance by the Euro-Arab dialogue and the Lome convention.

It calls for increased investment in Third World energy production and the creation of an energy affiliate for the World Bank. It *urges greater aid to* developing country agriculture and greater access for agricultural products to the EEC. It talks of the need for an open EEC market for manufactured and processed commodity imports balanced by protection for investment in developing countries.

After this had been discussed by the Council of Ministers' North-South Committee, a much-reduced document went to the Luxembourg summit in June. It put aside issues of contention, in particular over EEC imports from the developing world.

But the Council did accept the need for an initiative to stress to the U.S. and Japan the link between the economic and political security of Europe and "the re-establishment of international economic relations offering sufficiently attractive prospects to its developing partners."

Three policies

More concretely, the Council accepted three policies known to differ from those of the new U.S. administration: *qualified* support for World Bank energy affiliate; backing for the World Bank capital increase, replenishment of the bank's soft-loan arm, the International Development Association; and prompt resumption of the United Nations Global Negotiations on the world economic order including the future of institutions such as the World Bank and International Monetary Fund.

In the event Europe was unable to win the day with the Americans at either Ottawa or Cancun.

France is one of the few EEC countries which openly argues that, if the U.S. will not support an energy affiliate, the World Bank should, in any case, go ahead.

On the other hand, over resuming the global negotiations, Britain and West Germany are far from disturbed that they do not have to drag their heels in public as was the case last *year. For they find it hard to* accept that the General Assembly of the United Nations should be given any powers to alter the control, practices or status of the World Bank, IMF or GATT.

The net result is that 1981 has seen yet more nails driven into the coffin of the hopes of the poorer countries for any major shift in the world's economic balance in their favour. But on at least two fronts some small progress can be seen.

The first is that forecasts for official development aid made recently in Paris by the secretariat of the *Organisation for* Economic Co-operation and Development show a 2-3 per cent annual real increase in the next few years; earlier

The second is that Western aid donors did agree in Paris in September to making a special effort on behalf of the world's 31 poorest nations. But that, too, represented only a *slight step towards* fighting poverty and hunger.

For the West's small pledge has to be set against what they refused to do. And that was to double aid in real terms to the poorest countries by 1985, channel 0.15 per cent of their GNP to those countries by then, and channel 30 per cent of all bilateral and multilateral aid to them.

David Tonge

Widening deficit cuts EEC living standards

INTERNATIONAL TRADE has become a gritty political issue in the EEC. It is dividing Europe against Japan and the U.S., *and, just as worrying, it* is dividing EEC member States against each other. Yesterday's trading partners have become today's *cut-throat competitors*, for Europe's higher costs and waning competitiveness in manufacturing industry is *making serious inroads into* EEC living standards.

However, seeing oneself as others do is not a very human trait. So most Europeans who complain vociferously about the Japanese, U.S. and even Third World exports that have been surging into the Community's markets might be surprised at the following analysis of European trade policies: They are not only "predatory," but are also a "vicious violation" of agreed international trading practices.

These are harsh words to describe an EEC that in 1980 saw its overall trade deficit almost *double* the previous year's figure to reach £27bn, and which, once all the figures are in, can expect similar bad news for 1981. But they were uttered by Australia's deputy Prime Minister, Mr Doug Anthony, earlier this year. And while it was beef rather than manufactured exports that he was objecting against as being unfairly subsidised, his attack is a good indication of the resentments that now cloud international trading relationships.

While Europe complains that it has become a target for other industries' excess capacities, much of the rest of the world increasingly mistrusts Europe's own attempts to stimulate its exports while erecting protectionist barriers.

Whatever may be said of the Community's trading tactics, particularly in the agricultural sector, the trading figures nevertheless show that the EEC has been coming off much the worse. The trade gaps it has with the two other major industrialised powers, the U.S. and Japan, have widened in recent years to become yawning chasms. Japan's surplus with the EEC last year jumped 80 per cent from its 1979 level to hit $11bn, while that of the U.S. almost doubled on the back of a weak dollar to reach $25bn. Japanese cars drove hard into unprotected European markets, *pushing sales from 640,000 units* the year before to 785,000 with a further 20 per cent rise on that expected by the end of 1981.

Serious damage

The onslaught of American exports since then has slowed, thanks to the more buoyant dollar, but serious damage has been done to key EEC industries such as man-made fibres.

Yet it is not so much the highly visible export drives of the EEC's competitors that are causing deep concern as the underlying lack of competitiveness that is causing European manufacturers to lose both domestic and foreign business almost across-the-board. In a wide range of engineering goods, from numerically-controlled machine tools through to automobile components. EEC *producers are on* the retreat.

It is not a new phenomenon either. In the world's "third markets," European motor manufacturers in 1970 possessed 51 per cent of the available business, and the Japanese industry just 15 per cent. By 1980 the Europeans' share had shrunk to only 22 per cent and that taken by Japan had risen to 45 per cent.

The assaults being made on EEC domestic markets for manufactured goods that are now creating so much international friction should be seen as a corollary to the reverses *of the previous decade.*

The view that Europe has increasingly priced itself out of international markets and is now losing *its grip on its own* domestic ones is underlined by the European Commission's own analyses of EEC trading. The *non-EEC nations of Europe now* provide the Community with its only fairly reliable surplus on trade. They take about a third *of all EEC exports* (the EFTA countries alone take almost a quarter) and run a deficit on their trade with the Community *worth around $15bn yearly.*

That structural surplus, coupled with the fact that as an average 65 per cent of each EEC member state's exports go to other EEC or European countries, has done a good deal to insulate the Community from its competitive disadvantages. But although such trading patterns shift slowly, they inevitably do respond to underlying price trends. The likelihood is that unless European governments resort to artificial means *of stemming imports*, the inroads made by manufacturers from outside the Community will widen.

It is precisely that question —the degree to which the EEC should resort to protectionist measures—that is now having the most deeply divisive influence on Community members' relations over trade and industry. The clearest example to date has been the splitting of the EEC into two distinctly hostile camps over the approach that should be taken to Third World textile exporters.

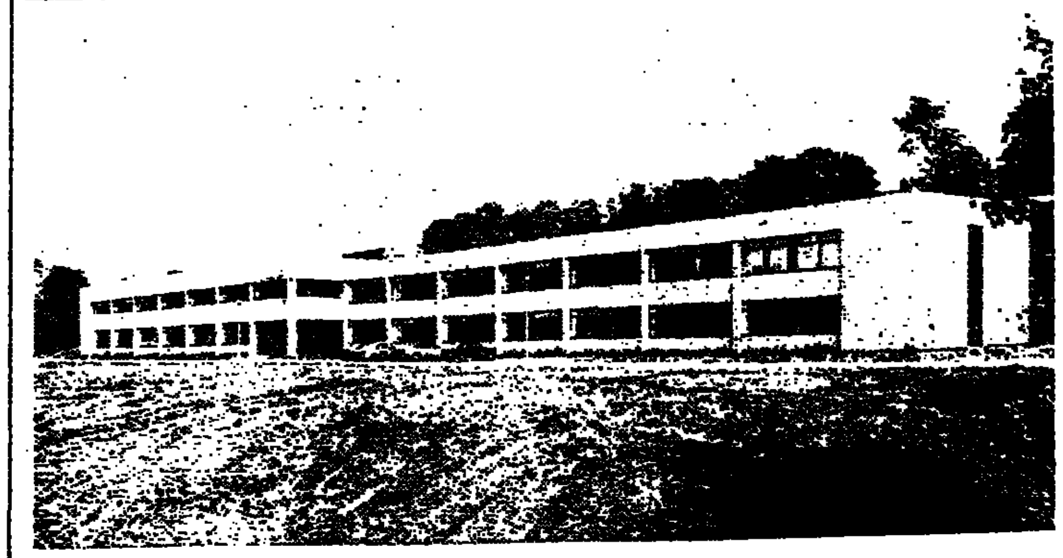
Failure to agree a new MFA world textiles trading pact with the Third World producers could have serious consequences. Some GATT officials fear that it could begin the unravelling of the Tokyo Round trade liberalisation framework. Yet it is still as almost nothing compared to the tensions now existing between the EEC and its two major industrial trading partners, Japan and the U.S.

American resentments against European *steel sales are coming* to a head once again, and the fear is that protectionist moves by the U.S. could unleash *retaliatory action by the EEC.* Given that the U.S. trading surplus with the Community has doubled and re-doubled since *1978*, the *Europeans have a* variety of sensitive sectors to choose from. However, it is of course Japan's export successes *that are creating the most* serious political difficulties. Japanese exports have been growing in recent years at three times the rate of U.S. *and European* exports, and even if at only 13 per cent of Japan's GNP they are proportionately much *smaller than* those of Europe and the U.S., they are nevertheless proving highly disruptive.

Over the last 10 years, Japan has received *something* like 200 "last warnings" from Brussels that it should restrain its exporters. Until recently, they *had all appeared to fall on deaf* ears. However, discussion in Japan on a form of tax on exports now suggests that the *Tokyo Government is moving to* stem the exports flood.

Giles Merritt

EUROPE VIII



Offices and laboratories at the Hoechst UK Stainland works near Halifax

Textile industry split over MFA talks

FEW INDUSTRIES will be happier to see 1981 out and the new year in than textiles. Although there are signs here and there that the long depression of the last two years may be coming to an end, both the textile-producing and garment-making industries are beset by confusion and face doubts and uncertainties.

To add to the problems, the industry is now in the middle of the Multi-Fibre Arrangement talks in Geneva, the system under the General Agreement on Tariffs and Trade which regulates much of world trade in textiles, and has no clear picture of what will emerge from them.

The Geneva talks opened on November 18 to the background of confusion within the European camp. Despite three meetings in the three weeks preceding the opening, the last on the afternoon of November 17, the European Commission, which negotiates on behalf of the 10 member states of the European Economic Community, had no clear mandate.

The Community is split between a hard-line group, led by France, Italy and Britain, which wants further restrictions on the growth of imports from the low-cost developing countries, and a group of three led by West Germany and including Holland and Denmark, which wanted to allow freer access to European markets for the goods of the developing nations.

Even after the talks had begun it was not altogether clear where the Community stood and there were accusations — made wrongly — by some of the Far Eastern nations that the EEC was adopting such a stance deliberately in order to force them to accept a less-favourable MFA.

It is unclear, therefore, what the MFA will mean next year for the textile industries in Europe. The clearest estimate is that if the recession continues, growth in the 1980s will be limited to about 1 per cent a year. Before the 1973 oil crisis the industries had been going forward at between 3 and 5 per cent a year, but that has since dropped to between 1.1 and 1.2 per cent annually.

To exacerbate the situation, it appears that the amount being spent on clothing is also dropping. As recently as 1970 the share of household spending accounted for by clothing within the Community was around 8 per cent. This had fallen to 6.5 per cent by 1978, the latest year for which full statistics are available, and is now thought to be moving towards 6 per cent.

The consequences are almost inevitable: there will be more redundancies, further import penetration and more restructuring of companies within the industries.

Sure to fall

The European textile industries last year employed some 2.4m people, which represented 9.6 per cent of the workforce of the Community's manufacturing industries. This compares *with about 3.4m a decade ago* and 3.1m in 1973. Textiles now account for about 6.4 per cent of the added value of the manufacturing industries and 6 per cent of Community exports of manufactured goods. These figures are certain to fall.

The most severe effects are likely to be felt within the clothing industries. These now employ 1.5m people and since the making-up of clothes is a labour-intensive business it is here that the greatest impact of low-cost goods will be felt. Developing countries have tended to become highly specialised in many of the sectors, such as shirts and men's suits, and the pressure on the large number of European mall and medium-sized companies is bound to continue

Another sector that will come under pressure is fibre production. Although this is not a large employer—accounting for about 100,000 people—there is surplus capacity and exports are encountering increased competition, especially from outside Europe. Although much of the new machinery is new—there was a vast amount of capital spending in 1973-74 which came on stream around 1977—it is possible that even some of the relatively new plants could close.

Some idea of how far the depression has hit the industries in various countries may be gauged from the fact that Belgian spinning mills handling cotton and man-made fibres were operating at about 65 per cent capacity in the second quarter of this year and the weavers at about 75 per cent.

The collapse of the Boussac group in France seriously affected confidence and demand has been slow in the country. Even Greece, whose labour costs are at the lower end of the European scale, has had below-normal production in the early months of this year.

There are some favourable signs that the recession may be *bottoming out. The decline in* the British textile industry may have come to an end and there have been encouraging noises recently from the country's knitters. A Spanish textile industry restructuring scheme has been launched with subsidies for investment and cheap credit, and in Belgium, carpet production has been buoyant.

There has also been some improvement in demand for yarn in Italy and exports from some countries, such as West Germany and Italy, have shown modest increases.

If these are encouraging signs they are also small signs. The overwhelming feeling is of uncertainty and doubt and it will not be until the new MFA protocol has been negotiated that the Community's industries will be able to face the future with any confidence.

Anthony Moreton

EEC forces steelmakers to cut capacity

THE PROBLEMS facing the European steel industry have been diagnosed and the remedies prescribed. Making the solutions work is now in the hands of governments as much as the industry itself.

Definition of the problem raises little controversy nowadays. The European steel market has been beset by a collapse in demand and weak prices as its leading customers have faced the full force of the recession. But the heart of the problem is *located in an excess of* steel-making capacity in the European industry, some of which will not be required even after an economic upturn. This surplus, uneconomic capacity has survived the slump in orders because of heavy state subsidies paid directly or indirectly to the steel industry in many European countries.

In June, EEC industry ministers moved on from agreeing on the cause of the problem to unanimously endorsing the obvious solution —withdraw the subsidies and allow market forces to take care of unrequired capacity. A timetable for removal of state aid has been agreed—future aid schemes will be endorsed by the EEC Commission only if they are designed to restructure and reduce capacity, and all forms of state support must be withdrawn by the end of 1985.

The spirit, the EEC ministers have demonstrated, is willing to end a subsidy system which has *become vastly expensive for* national exchequers. But there remain fears that the political flesh in some countries will prove too weak to accept the consequences of decisions which will mean the loss of jobs in areas of existing high unemployment.

In recent months, Belgium has faced political instability over the problems of its heavily-subsidised, loss-making steel industry; Italian unions have shown that they will resist effort to reduce capacity and jobs in the state steel sector, which will lose L1,950bn (£874m) this year; the West German Government has been coming under pressure to increase steel subsidies and suport an effective merger between Krupp-Stahl and Estel-Hoesch.

For the British Steel Corporation, which has gone through a vast restructuring and can see a return to profitability dawning in 1982-83, it is essential that capacity of its European competitors is brought into line with demand. Only then is the firm price structure in Europe, on which the assumptions in BSC depend, likely to be realised.

Normal trading

It is also only after restructuring and the removal of subsidies that the industry is likely to return to normal trading conditions. The present mixture of mandatory and voluntary production controls operated by the EEC Commission and Eurofer, the European steelmakers club, expire in June but are almost certain to be renewed and look likely to continue in some form for several years.

Introduction of the controls, accompanied by the bottoming *out of the recession*, have enabled steel producers to achieve some real price increases in 1981, and further staged rises averaging 17 per cent are scheduled for introduction by stages during 1982. The biggest element of the increase—an average of 12½ per cent — will be applied in January.

Although the increases proposed for 1982 have led to fierce protests to the EEC Commission from manufacturing industry, both the Commission and steel producers are determined to revive the industry's withered price structure. Steel manufacturers point out that they have not had the same opportunities as most of their customers to raise prices during the past two or three years. There is a determination among steel producers *not only to get* prices up, but to eliminate undercutting and make list prices into real selling prices.

As the politicians and steel producers struggle to produce a more rational European industry, there are no signs that they will be aided by more than the most modest improvements in the depressed steel market. Apparent steel consumption in the EEC is expected to finish 1981 at 102m tonnes—6.3 per cent down on 1980—and an upward change of only 4.7 per cent to 107m tones is forecast by the International Iron and Steel Institute for next year. Elsewhere in Western Europe the improvement is expected to be a smaller one of 3.8 per cent.

Steel exports from the EEC increased slightly during 1981, due mainly to strong demand for tube products in the U.S. and elsewhere. European steel producers are at present anxiously watching the development of *anti-dumping* and countervailing duty law suits in the U.S. If these had the effect of sharply restricting the American market to European imports, the fragile improvement in the EEC price structure would quickly be threatened.

Alan Pike

Chemical companies look to recovery

EUROPE'S PETROCHEMICAL producers are just beginning to emerge from two long and utterly disastrous years.

The heavy chemical companies were *among the first* to be hit by the recession that followed the 1979 oil crisis and the revolution in Iran. But the economic downturn had an even greater impact on the chemicals sector than on some other industries because of a number of other, longstanding problems —most notably massive over-capacity.

Overcapacity in petrochemicals and plastics has existed for years in Western Europe. It began to be built up in the days when both businesses were enjoying high growth rates—largely because their products were being substituted for more traditional materials such as glass, wood and steel.

The European petrochemical industry still uses the oil-based naphtha as its main raw material and in the 1960s and early 1970s oil was cheap. With expanding markets and cheap raw materials, the major companies felt confident in putting up more and more plants. Not only were there more plants, but the average capacity also increased steadily as producers tried to take advantage of economies of scale.

Even after it became clear that the great days of substitution were over and that much lower growth rates were to be expected, the adverse effects of over-capacity were often masked. In 1979, for example, the European petrochemical industry had a boom year as it pushed up its product prices in the wake of spiralling oil costs.

30 per cent drop

But in the spring of 1980, demand for petrochemicals and plastics dropped by as much as 30 per cent—depending on the product—and it did so virtually overnight. By the end of last year, most of the major producers were making substantial losses. Only now are there the first signs that a real recovery is underway.

But the protracted fall in demand plus the slump in product prices and in profitability has served to concentrate the minds of the chemical majors on the whole question of rationalisation. Some of the older and less efficient plants have already been shut — a number of them have been officially closed for maintenance but they are not expected to start up again.

Meanwhile, some proposed projects have been abandoned. The U.S.-based Gulf, for example, has cancelled a planned $200m chemical complex in the Netherlands. Not only that, but the group intends to pull out of petrochemicals production in Europe altogether.

But there will have to be further closures. There are still, for example, no fewer than 27 West European producers of polyvinyl chloride—PVC—plastic. Even the traditional chemical companies — such as the German giants, Bayer, BASF and Hoechst and the UK-based ICI—are expected to pull out of those product areas, where they have no particular technical or marketing edge over their competitors.

The European petrochemical producers have comparatively little time to put their house in order—as they are well aware. Although trading conditions are now beginning to improve, no one is forecasting dramatic GNP growth rates—and by the end of the decade, the development of a new petrochemical industry in the oil-rich Middle East will pose a new and very serious threat to European companies.

The Middle Eastern countries —*notably* Saudi Arabia—are preparing to provide their developing petrochemical sectors with cheap oil and gas feedstocks. The European market is an obvious outlet for the basic chemicals that plants—some of them still on the drawing board—will make.

It is estimated that Middle Eastern chemical exports to Europe will account for anything between 5 per cent and 20 per cent of the combined UK and Continental market. But even more worrying to the European producers is the fact that new entrants to any market tend to cut their product prices to gain a foothold.

There are therefore fears that low-cost chemical imports from the Middle East will depress European product prices across the board.

The need for companies to specialise in areas where they have a technical advantage and to pull out of those where they do not is therefore paramount.

As BP Chemicals said last month: "If we are to participate in the future at all, let alone enjoy it, we must accustom ourselves to the prospect, of not only a smaller industry, but to ourselves each contracting within it."

Sue Cameron

EUROPE IX

Computer market dominated by U.S. companies

MOST Western European governments have attached increasing importance during the past decade to developing strong indigenous computer industries able to stand up to the challenge of powerful U.S. manufacturers.

In many countries the desire to foster high technology growth sectors has led to a steady build-up of policies designed to bolster local companies. Support programmes have taken a variety of forms, including direct financial assistance, preferential procurement, more or less overt protectionism and government-inspired mergers.

There have been some success stories. West Germany's Nixdorf has expanded rapidly in the past few years to become a major force in smaller computers and business systems, though ironically it has enjoyed very limited state support. For several years, until its near-collapse last spring, Britain's ICL grew faster than the industry as a whole.

Yet overall, the performance of Europe's computer industry has been mixed, to say the least. There are very few companies able to compete on equal terms in the U.S. American companies continue to dominate Europe's $25bn a year computer market.

The American share is estimated at more than 60 per cent, and they account for more than half the top 25 companies operating in Europe, ranked by turnover. Heading the table is International Business Machines, which has extensive local manufacturing facilities and boasts bigger sales than its leading local competitors in most of the countries in which it operates.

IBM's estimated European revenues of $10bn last year were approximately double the total of those of its four nearest competitors. These were, in order, Siemens of West Germany, CII-Honeywell Bull of France, ICL and Olivetti of Italy.

There has been only one serious attempt to create a truly European computer company, whose ownership and operations were based in several countries. That was the short-lived Unidata venture, which was intended to bring together the computer activities of Siemens, the Dutch Philips group and Compagnie Internationale d'Informatique of France.

Bitter rivalry

Unidata, set up in the early 1970s, failed largely because it was unable to overcome bitter national rivalry between its three partners and their respective governments. It also faced daunting technical problems in trying to consolidate three different model ranges into a single product line.

Since then Europe's computer makers have preferred to look much further afield for partners. After the Unidata debacle, the American Honeywell was invited to step in to rescue CII. More recently ICL has turned to partners in Japan, the U.S. and Canada—but not so far in Europe—to help flesh out its recovery strategy.

Several other European companies, including Siemens and BASF in West Germany and Olivetti have chosen to fill out the upper-end of their computer range by agreeing to market Japanese-made machines which compete directly with IBM products.

Though many complain vociferously about national trade barriers and unfair discrimination, it is broadly true to say that American companies have been more successful in exploiting Europe as a single market than European manufacturers, many of which still do most of their business within their national frontiers.

This may well be a perverse result of national support programmes. Intended to help national champions to develop to a size where they could compete internationally, such policies seem in some cases to have led instead to a dependence on the home market.

The product strategy and marketing approaches of Europe's leading computer companies also reflect the different political, economic and commercial structures of their home markets. In West Germany, with its decentralised federal system and relatively high telecommunications charges, the industry has concentrated mainly on smaller computers often used as self-contained units.

In France, with its political and commercial power structure centralised in Paris, the demand for big computers has been much stronger. ICL's excessive concentration on big machines in the past is partly attributable to the Government's sizeable purchases of mainframe computers and its willingness to help fund their development.

Whether such distinctions will remain as clear-cut in future is questionable. Rapid advances in the application of technology, combined with sharp falls in costs brought about by the increasingly widespread use of microchips in circuit design have produced dramatic shifts in the computer market.

There is a general tendency for computers to become smaller and cheaper, and therefore available to an increasingly wide circle of users. That in turn is bringing about a swing away from large general-purpose machines which perform processing centrally, and proliferation of small, self-contained computers on office desk-tops, in factories and even in homes.

Market research suggests that sales of personal computers, selling for between £500 and £5,000, are growing by about 30 per cent a year, and all the indications are that this trend will continue. Sales of the biggest mainframe machines, on the other hand, have stagnated for the past year.

State funds

Many European governments have launched state-funded programmes to encourage training in microcomputers and to install the machines in schools. In a number of cases governments have also used these programmes to support their home-grown personal computer industries by designating preferred suppliers.

The hope is that local manufacturers will ride on the back of the orders generated by such schemes to attain a critical size, enabling them to attack export markets. It remains to be seen whether that happens, or whether such pump-priming helps to create a demand which will be filled by American (and perhaps also Japanese) competitors, with their large-scale production facilities and extensive international marketing resources.

Guy de Jonquieres

Carmakers concentrate on costs

THE EUROPEAN car makers have their priorities for the next few years firmly fixed.

- They aim to inject higher technology into their models and in particular to get a major improvement in fuel consumption across the whole of their ranges.
- They are reshaping their production plants so as to reduce costs and improve labour productivity. Each manufacturer wants each of his plants to be among the most-efficient in Europe and North America.
- They are keeping a wary and watchful eye on the Japanese, who currently have a long lead as far as productivity and unit costs are concerned and have been able to snatch business away from the Europeans in those markets where they meet in head-on competition.
- For some European manufacturers, there is the urgent requirement to get back to making profits as soon as possible.

New models

The Europeans have been compressing into about five years, model development which in the old days would have taken 15. As the results begin to come through new models will be introduced at a hectic rate.

In 1982, for example, we should see Ford of Europe's dramatically-different replacement for the Cortina/Taunus; the first of the new, big Volvos and the initial batch of "small" Mercedes which take the company into a part of the car market where so far it has not been represented.

Launched in time for the 1982 model year was possibly the most important European car for a long time — the Renault R9. The car is important not so much because of its shape, which is rather conventional, or the technology it contains, but because of the way it is made.

Renault reckons it has cut manufacturing costs at its Douai plant in northern France to a level where the gap between French and Japanese costs is tenable in those markets dominated by the Japanese.

So the French group believes it can sell some made-in-France versions of the R9 against Japanese competition in the Middle and Far East.

The European manufacturers will spend around $23bn in the 1981-83 period to modernise their plants and get down production costs. Like Renault, which installed 650 robots at Douai, its second-largest car plant, the other manufacturers will be spending heavily on the most recent technology.

Productivity simply had to be improved. In 1978 the European manufacturers produced an average of 12 cars for each employee whereas the Japanese turned out 45 cars per worker.

The European industry could boost output to 15 cars per employee by 1985—a 25 per cent improvement, so it has no illusions about catching the Japanese. Estimates vary. Some say the Japanese will improve their productivity by only 16 per cent by 1985, others say 100 per cent is a distinct possibility.

Unlike the Japanese, the Europeans are having to shed labour as productivity improves because there simply has not been enough growth in either the home markets or in exports to take up the slack.

The position has been exacerbated to some extent by the way some companies have switched to manufacturing or assembling cars in what were previously prime export markets. Volkswagen's manufacturing operations in the U.S. are the best example of this trend and Renault in 1982 will begin production of a heavily-modified version of the R9 in the facilities of its U.S. associate, American Motors.

Potential

The only real potential for stopping the labour-shedding in the European industry lies in the unlikely possibility of the Japanese setting up assembly plants in Europe and using them to replace current imports.

While there is some chance that the Japanese will venture more boldly into Europe—Nissan must make a decision about its potential car plant in the UK any day now and so should Toyota let us know about its future relationship with Seat in Spain—they see these moves as an opportunity to boost total sales, not just to substitute local production for imports.

Since the yen was allowed to float up to more reasonable levels compared with most of the world's trading currencies, the Europeans have become less obsessed by the problems of having to deal with the Japanese industry.

In any case, in 1981, only Ireland, Greece and Denmark within the EEC remained freely open to Japanese cars. "Voluntary" restrictions of one sort and another halted Japanese progress elsewhere.

The general expectation is that 1982 will see a useful recovery in car demand and production in most of the European markets—the UK being the exception because improvement there might be delayed until 1983.

The main impact will be in the second half and those companies, like the Peugeot-Citroen-Talbot group in France and BL in Britain, which have been experiencing severe losses need a substantial improvement in demand before they will be able to break even again.

There is no "United States of Europe" and no European motor industry operating within it. The companies still concentrate mainly on national objectives—providing a full line of cars and other vehicles for the home country and exporting or assembling overseas as best they can.

Government involvement in the industry only serves to emphasise this nationalism: BL, Alfa Romeo and Renault are State-owned; Volkswagen-Audi is partly owned by the Government, as is Seat in Spain, and the Volvo car operations in the Netherlands.

The Europeans seem to prefer getting the necessary economies of scale through joint ventures, particularly those involving key powertrain components. Examples of these so far include the Fiat-Peugeot project to build small engines, the BMW-Steyr jointly-developed and produced turbo-charged car diesel engine, due this year, and the four-speed automatic gearbox Renault and Volkswagen are developing between them.

There will be many more such joint ventures during the next few years as the car makers attempt to find the necessary economies of scale of production without having to go through some kind of merger process to achieve them.

Kenneth Gooding

Small businesses

No set pattern for aid

NOBODY MAY quite know where a "small" company stops and a "large" company begins, but in most parts of Europe there is at least an awareness that a difference in attitudes and requirements exists. Small companies carry on their activities in Europe against a wide range of different political and economic environments.

In Ireland and Denmark, for example, the large and medium sized enterprise is an exception and government policy is structured largely to take this into account. France, Italy and Greece also have large numbers of small companies with a fairly modest but nonetheless important crust of very large businesses.

The strongest explicit policy stance towards small companies, however, is probably to be found in West Germany, though the present UK Government has been making a lot of noise recently to demonstrate its concern. In Germany, measures to promote small businesses, as in the Netherlands, can be traced back to between the two world wars. According to Mr Graham Bannock in the Shell UK-sponsored 7-Country study on the subject, "In Germany it has been the conscious policy of government to promote small business, not only in the interests of competition, innovation and productive efficiency, but in preserving social balance."

Decentralised

German Government support for small businesses is largely decentralised. Most of the assistance goes through the commercial banking system via state owned financial institutions. At both Federal and provincial levels the German Government provides loans and guarantees to credit companies set up by the private sector; it also finances the provision of training, counselling and other assistance to small companies through Chambers of Commerce and small representative bodies.

The Netherlands, which the Shell report estimates has four times as many small companies per 1,000 population as the UK, probably has as wide a range of semi-public institutions as Germany for assisting small companies, but according to Banock, "Dutch policy has been 'softer' and more pragmatic than in Germany."

As in France and the UK, the number of specific measures for helping small companies is lower. Explicit policies in France for small companies only date from about 1978, though recently the French have shown considerable imagination—tax holidays, for example, are now available for investments in small companies.

What is still lacking throughout most of Europe is an integrated approach to the whole mix of small business problems. Governments everywhere wishing to stimulate the economic growth and thereby the job creation potential of such businesses still have to overcome the psychological hang ups of those who run companies with the potential to grow. Public atitudes are important here and in this respect as well as others the UK has a lot to learn from Germany.

Tim Dickson

Taking off: Airbus Industrie has orders or options for 502 Airbuses

Aerospace programme looks beyond recession

THE EUROPEAN aerospace industry is becoming increasingly dominated by international collaboration, as a means of both sharing costs and widening markets for programmes in civil and military aircraft and in space that are too big and expensive to be undertaken by individual companies or even countries.

In civil aviation, although the current world economic recession has severely curtailed new orders by the airlines, this is widely regarded as a temporary situation, and a substantial upturn in world air travel, leading to a growth in airliner sales, is foreseen from the mid-1980s.

This is already resulting in a substantial effort being devoted to developing a new generation of airliners, especially for the short-to-medium haul market. The feature of many of these programmes is that they are supported financially by governments, who alone have the resources required (measured in hundreds of millions of pounds).

The biggest civil venture is the Airbus programme, which not only accounts for the bulk of civil airliner manufacturing activity in Europe (with 502 Airbuses ordered or optioned to date, worth nearly $20bn), but also seems likely to be the base from which most future major European airliner developments will emerge.

The Airbus Industrie consortium (comprising British Aerospace, Aerospatiale of France, Messerschmitt-Bolkow-Blohm of West Germany and CASA of Spain as the principal participants, with Fokker of Holland and Belairbus of Belgium as associates), is already well into production of the A-300 250-seater Airbus, and is close to flying the prototype of the smaller, 200-seater A-310.

Current orders for Airbus stand at 502, of which 343 are firm and 159 are options, again divided as to 324 for the A-300 (255 firm and 69 options) and 178 for the A-310 (88 firm and 90 options). Deliveries to date amount to over 150 aircraft.

For the future, Airbus Industrie is planning several new variants of the Airbus. These include the Series 600 version of the A-300, embodying improvements in fuel economy and revenue-earning capacity, which is already under development. Further into the future lie the TA-9, a "stretched" version of the Airbus, and the TA-11, a four-engined long-range version.

Of more immediate significance, however, is the 150-seat A-320, the development of which is already under way, although production has not yet begun. This aircraft is aimed at a market expected to be worth over 1,200 aircraft through the next 20 years.

The competition in this field, however, is likely to be formidable, with Boeing of the U.S. interested in developing a rival "7 Dash 7" and McDonnell Douglas linking with Fokker of Holland to develop the MDF-100. At present, all three groups are jockeying for position in the world market place, discussing their proposed ventures with world airlines. The latter are reluctant to commit themselves at a time of economic doldrums, but it seems likely that they will be obliged to make up their minds some time over the next year or so which venture to adopt, with an in-service target date of around 1986-87 in mind.

Decisions soon

So far as Airbus Industrie is concerned, its partners are still working out just how much cash each will contribute to this £1bn programme, and which parts of the aircraft each will produce. These decisions, which will depend largely on support from their Governments, are likely to be taken some time around the end of this year or early in 1982.

The A-320, therefore, should be well under way by the middle of next year. Already Air France has placed a provisional contract for 25 aircraft firmly, with another 25 on option, but so far no other airlines have taken the bait.

Another major new international collaborative venture now under way in Europe is the Franco-Italian 50/50 collaborative programme to build the ATR-42 "commuter" airliner. This twin turbo-propeller (Pratt and Whitney of Canada PW-100/2s) aircraft, designed to seat between 42 and 49 passengers and to fly over distances of 1,300 kilometres, is aimed at a world market that has been estimated to amount to as many as 3,700 aircraft over the next 20 years, of which the partners in the programme, Aerospatiale of France and Aeritalia of Italy, hope eventually to win orders for as many as 900 aircraft or about 25 per cent of the market. The ATR-42 will be built in two versions, the passenger model in Toulouse, and the cargo version in Italy. First deliveries are planned for the second half of 1985. A stretched version seating up to 60 passengers is also envisaged eventually.

Two other European projects are also aimed at the "commuter" airliner market. The Shorts 360 36-seater is already flying in prototype form and scheduled for certification and delivery in the autumn of 1982. By the end of this year, Shorts expects to have passed the 100 mark in orders for both the 360 and the smaller, 30-seat 330 commuter liner, which is already in service, especially in the U.S.

The second major venture is the collaborative effort between Saab of Sweden and Fairchild Industries of the U.S. on the Saab-Fairchild 340, a twin-turboprop 34-seat airliner now under development, with the maiden flight planned for late 1982-early 1983, and deliveries to customers early in 1984.

To compete with this development, British Aerospace is developing an improved version of its own BAe 748 twin-engine airliner, which in earlier versions has already achieved sales of over 350.

British Aerospace is also making its own major bid for the "regional" airliner market, with its BAe 146 four-engine jet airliner, the prototype of which is now flying, with over 50 hours of airborne time. This aircraft is being built in two versions, the Series 100, seating about 80 passengers and the larger Series 200, seating about 100 passengers. The aim is to win a Certificate of Airworthiness for the Series 100 late next summer, with deliveries starting in the autumn.

In military aviation, the European scene is dominated by the Anglo-West German-Italian Tornado multi-role combat aircraft, which will eventually involve production of 809 aircraft, costing well over £10bn and running to the end of the 1980s and probably into the 1990s.

The Tornado programme is already influencing further military aircraft designs. Much of the experience gained with the Tornado and its associated engine, the RB-199, is being incorporated into new designs for the combat aircraft of the 1990s and beyond which are now taking shape on the drawing boards in the UK and West Germany in particular. In Italy, work is being pushed ahead on a new light combat aircraft, the AMX, which is to be built in conjunction with Brazil.

Michael Donne

Telecoms retain an insular air

EUROPEAN telecommunications presents a paradox. On the one hand, technological progress is making it easier and cheaper to communicate an increasingly wide variety of information almost anywhere and process and store it electronically.

New developments incorporating computers and microchips are revolutionising the concepts of time and distance current only a generation ago. For instance, it is now technically possible, using satellites, to transmit the contents of Encyclopedia Britannica from one side of the world to the other in a few minutes.

On the other hand, however, Europe's telecommunications markets and industries remain highly compartmentalised along national lines. Intra-European trade in telecommunications equipment has been hedged about by a plethora of restrictions, including differing technical standards, nationalistic procurement policies and regulatory limitations.

Furthermore, though freedom of communications is widely acknowledged to be an essential characteristic of democratic society, telecommunications policy in most European countries has long been rigidly controlled by monolithic state monopolies armed with far-reaching powers and exclusive privileges.

The most common justification for these monopolies, known collectively as PTTs, is that telecommunications is of such vital national importance that it must be a responsibility of the state. Only monopolies, it is often argued, can ensure a universal standard of service at the same price to all a country's citizens.

The PTT system has also developed into a powerful tool of industrial policy. Most PTTs have evolved close links with preferred national suppliers and are not obliged to allow competitive bidding by foreign manufacturers. Partly for this reason, Europe has had much greater success in maintaining a trade balance in telecommunications equipment than in computers or electronic components, the dominant suppliers of which are American companies.

Broken

This settled pattern has, however, been abruptly broken by the British Government's decision to curtail British Telecom's monopoly and open the market to wider private competition. The programme was set in motion at the start of October and is expected to take about two years to be implemented fully.

The Government believes that British Telecom's monopoly has restricted the commercial introduction of technologically innovative equipment and services. Inspired by the U.S. experience of deregulation during the past 10 years, it believes that liberalisation will open the door to private initiative and encourage a much more efficient telecommunications service.

The plan aims to bring about freer competition in the supply of most types of subscriber apparatus (though the Government retains considerable statutory powers to act against any threatened torrent of imports). It also enables organisations other than British Telecom to provide commercial services on the network and envisages the establishment of an independent business communications system to be built and operated by a consortium headed by Cable and Wireless.

On the equipment side, Britain is to a large extent only catching up with prevailing practice in other European countries, many of which have allowed the private supply of certain types of subscriber apparatus for some time. But the prospective freeing of the market for network services has caused surprise and some unease among Continental PTTs.

Most of them guard access to their networks jealously because they fear that encroachments by outsiders will rob them of revenues which they need to finance their investment programmes and, in many cases, to offset substantial losses on mail services.

Investment in the modernisation and expansion of public telecommunications networks is proceeding at a rapid rate. British Telecom aims to spend almost £2bn a year, and the French PTT is spending nearly £3bn annually to upgrade their national systems.

The West German PTT, the Bundespost, is considering plans to replace the country's entire subscriber network with modern optical fibre cables, able to carry two-way video and computerised information services, over the next 30 years at a cost approaching £25bn.

Two forces are stimulating this increased expenditure. One is the revolution in communications technology which is making possible new types of service in addition to the basic telephone. The other is the recognition that efficient communications plays an important role in business efficiency and economic growth as a whole.

Whether the PTTs are equipped to keep abreast of the rapid rate of change which the combination of these forces is producing is likely to be an issue of increasing debate in years to come.

Moreover, the costs of keeping up seem likely to place an increasing strain on the PTTs' financial resources.

These pressures are already causing some Continental PTTs to re-think their policies. The Bundespost, for instance, is studying the possibility of allowing the competitive supply of network services which would not jeopardise its basic telephone service. The aim of such a move would be largely to increase the revenues generated by handling traffic.

Others may well follow. It seems likely that the consequences of the technological revolution will not stop at changing the types of services available but will also have a profound influence on the institutional structures through which they are supplied.

Guy de Jonquieres

EUROPE XI

SELECTED OECD COUNTRIES TRENDS IN INLAND OIL CONSUMPTION
(average: thousand b/d)

	1973	1974	1975	1976	1977	1978	1979	1980
U.S.	17,308	16,653	16,322	17,461	18,431	18,847	18,513	17,006
Japan	5,000	4,872	4,568	4,786	5,015	5,115	5,171	4,676
Belgium/Luxembourg	505	440	424	449	442	461	474	434
France	2,219	2,094	1,925	2,075	1,973	2,077	2,107	1,965
Italy	1,515	1,521	1,468	1,503	1,476	1,551	1,620	1,602
Netherlands	507	444	412	487	457	446	513	478
Spain	581	626	667	744	693	726	745	771
UK	1,958	1,829	1,633	1,601	1,655	1,683	1,690	1,422
West Germany	2,698	2,408	2,319	2,507	2,478	2,596	2,664	2,356

Heavy dependence on oil and gas imports

THE DECISION of Western European gas companies to seek long-term supplies from the Soviet Union—in spite of the expressed anxieties of the U.S. administration—says as much about future energy balances as the present depressed consumption figures.

Western Europe continues to be heavily reliant on imported energy, particularly oil and natural gas, in spite of the relief now being provided by producing countries around the North Sea. About 85 per cent of Europe's oil has to be imported. The European Community itself remains the largest single importer in the world — 8.7m barrels a day last year.

European countries are much more happily placed when it comes to natural gas. At present around 85 per cent of the demand is met by production within the region.

However, the gas supply position could deteriorate rapidly in the mid to late 1980s as output from Holland and some North Sea fields begin to decline. Current estimates suggest that by the end of the century imports could account for over half of the consumption levels.

This is why West Germany and other Continental countries have been keen to tie up Soviet supply contracts. It was a case of doing the deal now or being faced with the prospect of competing even more vigorously for supplies from the Middle East and Africa in a few years' time.

West German gas companies reached agreement with the Soviet Union on November 20. It was part of the biggest trade deal between Russia and Western Europe. The USSR will supply an additional 40bn cubic metres of natural gas each year to Western Europe—beginning in 1984—through a £7.9bn ($15bn) 5,500-kilometre pipeline system from western Siberia.

During the 25-year life of the contract, West Germany will receive an additional 10.5bn cubic metres a year (the country already relies on the USSR for 17 per cent of its gas needs). The remaining gas carried through the new system is expected to be bought by companies in France, Holland, Belgium, Italy, Austria and Switzerland.

During the past year, European gas companies have also been involved in some feverish negotiations for new supplies from the Norwegian sector of the North Sea. British Gas Corporation offered record prices for some of the available gas, but the Norwegians decided instead to supply Continental buyers through a new gas gathering pipeline system linking the fields with a terminal in Emden, in West Germany.

Frustration

British Gas is now negotiating for fresh supplies from UK fields.

It is still a matter of considerable frustration, and some bewilderment, in the European gas industry that there is not more co-operation between the producers and governments in the North Sea. It is argued that the Norwegian and British gas pipeline networks should be linked to provide a more flexible, integrated system.

This may come. Statoil, the Norwegian state oil corporation, has said it might be willing to sell to the UK large volumes of gas in two complexes of fields due to be exploited in the 1990s.

For its part, the UK Government is changing conditions in the North Sea to reduce British Gas Corporation's monopoly right of supply. Producers will also be able to sell gas direct, albeit to UK consumers.

There are also signs that the British Government will be cautious in the way it applies a brake on future North Sea oil production through depletion policies. This will come as some relief to Continental refiners which were becoming anxious that the UK would hold back potential net exports.

The economic recession, conservation measures and fuel switching policies by consumers have transformed the energy picture in the past two years. Latest EEC figures published last month show that during the first half of this year Community energy consumption fell by 6.3 per cent against the corresponding period in 1980. This followed a 4.5 per cent drop in energy consumption levels last year.

Oil consumption fell even more rapidly. During the first six months of this year demand was down 12 per cent.

There was also an improvement in the EEC's import position. During the January-June period, imports accounted for 48 per cent of energy supplies as against 54 per cent in 1980 and 64 per cent in 1973.

Even so, the European Commission has raised doubts as to whether the Community as a whole will effectively reduce the volume of its oil imports over the next decade by diversifying its energy sources and developing comprehensive energy-saving programmes. Early this summer, the Commission indicated that oil could still be providing at least 43 per cent of the EEC's total energy in 1990, instead of the target of 40 per cent.

If oil prices continue to decline in real terms during the next few years — as predicted by leaders in the Organisation of Petroleum Exporting Countries — that target may become even shakier.

Ray Dafter

Rising coal consumption helps home industries

EUROPE'S CONSUMPTION of coal is set for a major expansion over the next two decades, but the timing and extent of the growth remains shrouded in uncertainty.

The EEC countries alone used about 274m tonnes of coal last year and this total is expected to grow to 450m to 550m tonnes by the turn of the century.

That spells a secure future for the industries in the UK and West Germany—the Community's two major coal producers—and a new lease of life for the small, heavily subsidised industries in France and Belgium.

But it will also mean a dramatic expansion in European coal imports from third countries—and the construction of the infrastructure needed to handle this.

On the demand side, the major use of coal today and for the foreseeable future will be in power stations. The EEC used 146m tonnes of coal to generate electricity last year and could use double that by the turn of the century as utilities move away from dependence on high priced fuel oil.

The second-largest market is the steel industry, which uses coke in its production processes. However, the uncertainties surrounding the future of the European steel industry mean that this market will only see modest growth, if any, from the 1980 total of 71m tonnes.

By contrast, there is substantial scope for an expansion of coal use in general industry in the Community, which currently uses only some 20m tonnes a year. By 2000 this could grow to 50 to 100m tonnes.

However, the switch back to coal now looks like being slower and less dramatic than was being suggested a year or so ago. The recession is largely responsible, though conservation measures have also helped. Together these have cut back European demand for power, slowing growth in the electricity market, while the high cost of borrowing has made general industry hesitant about investing in new coal-burning plant.

On the supply side, Community countries produced 217m tonnes last year—some 80 per cent of EEC consumption. The plan is to expand this to 250m tonnes in the long term, but there are growing doubts that this target can be reached.

The greatest growth is planned for the UK, which now produces about 125m tonnes a year and says it wants expand capacity to as much as 170m tonnes by 2000. The National Coal Board has invested some £3bn over the past seven years in a programme to reverse the decline of the UK coal industry through the renovation of existing pits and the building of entirely new ones such as the £1bn Selby project in Yorkshire.

But projects already under way will do no more than stabilise British production at its present level and it is increasingly unlikely that the NCB will be able to expand capacity to 170m tonnes by the turn of the century—or that there would be a market for the coal if it did.

In West Germany, hard coal production is currently running at about 94m tonnes a year, largely from the Ruhr district. Some 35m tonnes of lignite is also produced, primarily from the Rhenish coalfield west of Cologne.

German plans are more modest. The aim is maintain production at its present level and prepare for a rapid increase in output, if required, to over 100m tonnes.

In Belgium, with output of about 5m tonnes, the objective is a modest increase. In France, the outlook for the industry has still to be fully clarified following the election of the Mitterrand Government.

Before the arrival of the new administration the industry has seemed set for a decline from 18m tonnes in 1980 to some 10m tonnes by the turn of the century. Mitterrand officials, however, initially indicated that they aimed to expand production substantially.

But there was no reference to such a figure when the Government's new energy programme was presented to parliament last month—apparently indicating a rethink.

With only limited growth in indigenous European production, there will be a major rise in imports from third party countries, primarily the U.S., South Africa and Australia. Total EEC imports are expected to grow from 74m tonnes last year to between 150m and 300m tonnes, depending on which forecasts you believe.

Upturn

There has already been a substantial upturn in the trade, since third country imports totalled only 45m tonnes in 1978 and 59m tonnes in 1979. This year, however, the upward trend is unlikely to be sustained at the same rate: in the first six months of 1981 EEC third party imports totalled 36.5m tonnes, a drop of nearly 7 per cent on the same period of 1980.

This may have been due in part to a miners' strike in the U.S. and political upheavals in Poland, but the recession will also have played a part on the demand side.

The setback may only be temporary, but it is a useful corrective to some of the wildly optimistic expansionary visions put forward by members of the West European coal lobby. Indeed, a much more cautious note is now creeping into the industry's forecasts.

The position was summed up in a recent speech by Mr Ralf-Roger Jakisch, managing directory of Ruhrkohle International, who suggested that consumption was likely to increase gradually and that in no way would there be a short-term explosion.

"You will still find the odd publication indicating enormous short-term growth rates," he added. "But this really is wishful thinking." The construction of new coal-fired boilers and the conversion of old boilers would take some years to carry out.

Martin Dickson

Nuclear power expands

LAST SPRING, Europe's tally of nuclear reactors in operation exceeded 100, with the French adding a new nuclear unit every few weeks. Next year it should outstrip the 51,500 MW of nuclear generating capacity of the U.S.

Forecasts of the rate of growth of nuclear electricity in Western Europe by the International Atomic Energy Agency, suggest that it will expand from providing 14 per cent of Europe's electricity in 1980 to 28 per cent by 1985 and 31 per cent by 1990.

But the pattern is far from consistent. France could well be obtaining 50 per cent of its electricity from nuclear energy by 1984. Today, Sweden (over 30 per cent last year), Switzerland, Finland and Belgium all exceed 20 per cent from this source. In the next year or so they should be joined by Britain and West Germany.

At the other end of the scale, Italy with only 1.3 per cent last year has only just resumed new construcion after nearly a decade of doubts. The Netherlands is still arguing over the two reactors which provide about 5 per cent of its electricity. Norway and Denmark show no sign yet of permitting construction of commercial reactors, while Austria takes nuclear electricity from Czechoslovakia rather than license its first commercial unit to operate. For financial reasons, Portugal may prefer to rely on Spain's burgeoning nuclear power programme — with two Spanish stations fairly close to its borders—rather than undertake the heavy investment in its own new industry.

The wave of doubt about safety of nuclear energy which spread from the U.S. in the late-1960s, and engulfed most of Europe by the mid-1970s, has largely subsided in the bigger countries. After a hiatus in new construction which varied from about 10 years in the case of Britain and Italy, to six years in West Germany, and two years in Spain, building has restarted.

But one technology which advanced strongly during the long years of political wavering is that of safety systems associated with reactors. Safeguards against events considered so remote that no other kind of industrial process, however hazardous, is burdened with them are now considered indispensable by European governments.

Two counts

The economic summit in Ottawa this year pledged seven nations—four from Europe—to greater efforts on two counts especially: to explain the necessity for nuclear energy; and to ensure that safety standards are as high as they can be. Most European governments, after a decade of agonising over the alternatives to nuclear energy, have become convinced of its necessity if they are to avoid undue dependence on other nations for energy supplies, and also because the overall economic case for it is sound.

They have been slower, however, to see the importance of acting in concert on nuclear issues, in contrast to the movement opposing nuclear power. This movement is internationally based, with rapid communications and a mobility the nuclear industry can only envy when it comes to marshalling resources at a trouble spot.

Several European governments which have put their faith in the U.S.-designed light water reactors—albeit adapted to national safety standards—are eyeing nervously Britain's prospective public inquiry into its first big reactor of this type, Sizewell B. It could provide a big vote of confidence for their decision. But it could also degenerate into an event from which the public gains the impression that some nuclear reactors are less safe than others; or worse, that all reactors are inherently unsafe.

Europe is beginning to see that the nuclear power station athwart the border, with power shared by two (or more) countries, may be the best way of living at peace with nuclear energy. A common interest in the performance of shared plant producing low-cost electricity unobstrusively, not weather-dependent as is Europe's widely shared hydro-resources at present, could take much of the heat out of present objections to nuclear activities.

David Fishlock

PORTUGAL

Economic Developments in 1981 and Future Prospects

In 1981, the Portuguese economic situation has witnessed a certain deterioration in the external imbalance which has been, and will continue to be in the years ahead, the major constraint to economic growth. This deterioration of the current account cannot, however, be imputed to a significant expansion in the economic activity in 1981: GDP growth shall certainly fall short of the 2.9% targeted figure. Domestic demand (both consumption and investment) has continued to show some buoyancy, warranting significant increases in import volumes of machinery and of some durable goods (namely automobiles). However, the major factor behind the increase in import volume (of the order of 5%) is the severe drought which hit the country in 1981 (a record in the past 50 years): besides the unfavourable effects on agricultural production, it required large increases in power and fuel imports to offset the drop in hydroelectric output. Other factors seriously affecting the import value were the oil price increase and the rise in the dollar. A 24% increase in the average dollar price of crude oil paid by Portugal in 1981, is estimated. The oil share in total imports is very high (approximately 23.5% in 1980); in the first half of 1981, net oil and power imports accounted for approximately 75% of the widening in the trade gap.

Nonetheless, the major factor behind the deterioration in the current account has been the deceleration in exports of goods and services which in volume will probably even drop. In this area too, the change is explained, to a large extent, by factors exogenous to the Portuguese economy. The 4% drop estimated for 1981 in imports of EEC countries has a large impact in the Portuguese export sector which depends up to 54% on that market. On the other hand, protectionism has been increasing in some of the major trade partners for Portugal. The imposition of increasing quotas and other restrictions to the normal flow of goods highly sensitive for the Portuguese economy, such as textiles, has strengthened the unfavourable effects of the international economic recession and has decisively contributed to hamper the penetration of Portuguese exports.

The deterioration of the Portuguese current account, particularly evident in the first half of the year, led the Government to change the order of priority of the major economic objectives in the course of the current year. Throughout 1980, the fight against inflation can be considered as having been the major goal of economic policy, after the improvement in the balance-of-payments which occurred in 1978/79. As a consequence of a good crop year and of the counter-inflationary programme then adopted (including the 6% revaluation of the escudo followed by a crawling-peg devaluation slower than in the preceding year), the inflation rate fell from 22.1% in 1979 to 16.6% in 1980. However, and always bearing in mind the need to pursue the anti-inflationary effort, the Government decided in July to adopt important monetary and budgetary measures designed to counteract the balance-of-payments deterioration. From this set of measures, the most important ones were those intended to restrain public expenditure, the rise in interest rates, the increase in the legal reserve requirements, and a tightening on credit expansion. Broadly speaking, such measures aimed at refraining, either directly or indirectly, domestic demand, which had been expanding excessively, in face of a drop in external demand, thus aggravating the trade deficit.

The budgetary measures designed to restrain State current expenditures became imperative in view of the weight of public consumption in National Expenditure (approximately 15%) and of the need to reduce the size of the public sector deficit (10.9% of GDP in 1980).

The rise in the reserve requirement (from 7% to 10%) aimed at mopping up part of the excess bank liquidity which led banks to exceed the credit ceilings. The latter are since 1978 the key instrument of monetary control in Portugal. The rise in lending rates (increases ranging between 0.75 and 2.75 percentage points, raising to 19-21% the maximum interest rate which a bank can charge for a regular 3-month loan) was combined with a tightening of the credit policy, with the aim of reducing credit demand and thus moderate domestic demand (namely consumer durables and investment). Finally, the increase in deposit rates (0.5 to 2 percentage points according to maturities) was justified as a means of encouraging domestic saving and of adjusting the interest rate differential vis-à-vis foreign countries, resulting from the widespread increase in international interest rates (since 1978 there had been no rise in interest rates in Portugal) and of the need to keep escudo denominated assets competitive, thus preventing capital flight. As a result of these measures, the economic situation is expected to show some improvements by end-1981.

Within the set of difficulties with which the Portuguese economy is confronted, the strategy for future action shall be one which will permit the gradual solution of our serious structural problems, without running into unsustainable disequilibrium situation at the level of the major macroeconomic aggregates. The possibility of the Portuguese economy reaching high rates of growth is conditioned, in the short run, by the necessity of preserving sustainable levels of inflation and of balance-of-payments disequilibrium. However, the achievement by Portugal of growth levels above the average for OECD countries is crucial, in order to enable the country to change its economic and social structures, to break away from the vicious circle of short-term problems which affect it, and to gradually bridge the gap which separates it from EEC countries where we aim to be integrated. Portugal continues to hold a sound position as regards gold and foreign exchange reserves and to enjoy general confidence on international capital markets. External indebtedness showed a significant increase in 1981, a situation which we intend to correct. However it is anticipated that for the next few years we shall have to continue to resort to external borrowing, so as to finance the inevitable current account deficits. The ratio of total external debt to total reserves, with gold valued at London market prices for the past three months, reached, by end-June 1981, 76%, a figure which continues to be very reasonable by international standards. Nonetheless, Portugal shall spare no effort to increase exports continuously, so that it may be able to meet the increasing demand for imports, required by the investment effort and the modernisation of the economy.

The reduction of the external vulnerability of the Portuguese economy requires also deep changes in the organisation and structure of the economy. Government intentions, as expressed in the programme which was approved when it took office, in September, reflect this concern. In particular, it tries to articulate the set of policies which were adopted in the last few years in order to stabilise the economy, with the implementation of measures aimed at starting the process of gradual removal of structural bottlenecks. However, it is obvious that the solution of the crucial short and long-term problems that confront the Portuguese economy depends, to a larger extent than is normal in most developed countries, on the international economic situation. According to the latest OECD projections, there is some evidence of a slight improvement in this area, which by itself is a sign of optimism as to economic developments in 1982. The major contribution which the international economic community can give to strengthen such optimism is to reduce the protectionism that prevails in international trade and support the modernisation effort of the economy, via direct foreign investment.

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EUROPE XII

Hopes of year-end formula for CAP reform dashed

THAT THE problem of reforming the Common Agriculture Policy (CAP) continues to bedevil the European Community is in one sense far from surprising.

The constant need to reconcile various national policies, all based on complicated self-interest, serves on its own to explain the ponderous nature of EEC decision-making.

Add to this the fact that *under discussion* is the CAP — an enormously complex institution accounting for about two-thirds of all EEC spending and embracing the majority of the collective Community decisions that most immediately affect both government attitudes to the EEC and public opinion at large — and the failure 10 days ago of the Community's heads of government to agree on a comprehensive reform at a two-day meeting would seem unexceptional.

However, the lack of agreement produced big headlines throughout Europe. Popular expectations had been dashed: for nearly 10 months now the bulk of Community-wide political energies have been devoted to producing by the end of this year a reform of the CAP that would facilitate a realignment of EEC finances to satisfy the 10 member-countries.

Now, the task of coming up with a comprehensive solution has once again been handed back to the 10 Foreign Ministers.

While the year-end deadline for an agreed reform package was always somewhat theoretical, the Foreign Miisters will be up against greater reality—the annual springtime Community fixing of guaranteed farm prices which sets to a large extent the areas in which the EEC's costly subsidies will be spent.

The Foreign Ministers are to meet in special session late this month or early in January, charged with producing guidelines in four difficult specific areas that can be agreed by the member-states ahead of the April price-fixing.

A Spanish grower tends orange trees in the rich fruit growing area of Huertas Valenciana. Spain's accession to the EEC poses a further thorny set of CAP problems

They are dairy policy, growth limits on total agricultural spending, support levels for Mediterranean-area producers and the effects on the overall EEC budget itself.

Not only will they have to solve the overriding question of growth in total agricultural spending and the proportion of overall expenditure to be financed by various member-states, but in the balance may be the level of guaranteed incomes the EEC's 10m farmers and their dependants and the future levels of the Community's costly export subsidies which are increasingly having international repercussions.

Minefield

Yet the Foreign Ministers will have to get through the same political and economic minefield that the heads of government failed to negotiate at the end of last month.

The problems are disputes between the richer and poorer countries, differences between big and small farmers, competing demands by producers of various products, and uncertainties arising from the coming enlargement of the EEC to include Spain and Portugal.

One ingredient missing from this year's debate, however, is the prospect that agriculture spending could literally break the EEC bank.

Only 15 months ago, the European Commission was compelled to issue a warning that CAP funds were in danger of exhaustion. There was a risk that expenditure might exceed budget provisions in the beef, cereals and fruit and vegetable sectors.

The situation changed fast and dramatically, but the reasons had nothing to do with any underlying reform of the CAP. The turnround was due to more efficient market management—a Commission skill that has grown enormously in recent years under the pressure of limited EEC funds—and to a portion of luck in the form of a sustained upswing in world market prices.

The recent narrowing of the gap between world prices and higher EEC prices has meant a sharp drop in the total value of subsidies needed to bridge the difference to finance EEC exports while guaranteeing farm incomes.

The trouble is that no one can say with certainty that this situation will last. Export subsidies now account for about half of EEC agriculture spending (against less than 40 per cent four years ago), and a drop in world prices to what many market analysts still refer to as "normal" could be disastrous for EEC finances.

Meanwhile, the EEC's subsidised "active export policy" is putting the Community in direct conflict with some of its traditional trading partners—the other big agriculture exporters such as the U.S., Australia and Canada.

While talk of a possible agricultural trade war between the EEC and the U.S. has also subsided with a drop in grain harvest forecasts elsewhere in the world, indications from America are that its own "active export policy" could still bring a direct clash with the Community.

The new farm legislation currently before the U.S. Congress puts the emphasis on export policy in an effort to limit Washington's financial aid for farmers. Expected record harvests in a range of commodities, especially if coupled with a fall in the value of the dollar, could shove down world prices and add substantially to the cost of EEC export subsidies.

However, the immediate danger of the EEC's current agriculture budget going bust has disappeared to the extent that the member-states feel confident to concentrate almost solely on their purely internal disputes over CAP reform.

Even so, no real betting has yet opened on the Foreign Ministers' ultimate chances for success. While there were some signs at the London summit meeting that the main protagonists — Britain, France and West Germany—were prepared in principle to give some ground, detailed positions remained firm.

Britain and West Germany, the net contributors to agriculture expenditure, are naturally most concerned over keeping a tight lid on overall spending, but even they are not agreed on how this is to be done in detail or on what concessions they are prepared to make to gain agreement on reform from the other member-states.

The important dairy sector, which accounts for 35 to 40 per cent of agriculture spending, throws up different permutations of disagreement.

Most countries oppose continuing the system which allows for almost open-ended expansion of output with the resulting growth in a dependence on export subsidies to dispose of EEC surpluses, but they are still deeply divided over how to protect small farmers' incomes without discriminating against the large, efficient producer.

Countries heavily dependent on agriculture such as France, Ireland, Denmark and Greece remain strongly in favour of retaining most aspects of the CAP virtually untouched.

Moreover, their positions could even harden as the time approaches for the Community's Agriculture Ministers to thrash out the price fixing for the coming marketing years.

The 10 Agriculture Ministers, who have been effectively barred at Community level from most of the discussions on the reform proposals, have gained some notoriety in the recent past for publicly supporting "prudent price policies" but awarding large increases during the inevitable trade-offs between member-states to gain agreement on the price-fixing.

Complicated

The Mediterranean area presents another thorny set of issues centred on how to ensure that the CAP can serve fairly the poorer South of Europe without requiring unacceptable concessions in the richer North.

Furthermore, any potential solution on how to support such products as wine and olive oil is complicated by considerations involving the membership talks with Spain and Portugal and relations with other exporters of vegetable oils such as the U.S.

The hurdles to reconciling all the special interests of the various member-states remain high indeed. And, when considering the Foreign Ministers' chances of agreeing to a real reform programme, it is worth recalling the history of such efforts.

Ten years ago, the Commission suggested a controversial scheme to cure what was even then a worrying surplus of subsidised dairy production. An aid scheme was proposed that would have taken out of production about 12m acres of land (about 5.5m hectares).

This was rejected by an overwhelming majority opposed to radical change. And the dairy problem, along with similar ones in beef, cereals and sugar, remain to this day—constituents of the costly, complex institution known as the CAP, which nevertheless is still the only truly firm practical basis for the larger institution known as the European Common Market.

Larry Klinger

ARTS SUBSIDIES

Tight purses and new politics

By Antony Thorncroft

IT WAS a generally relieved arts world that heard from Mr Paul Channon, Minister for the Arts, on Friday that the arts budget for 1982-83 would be £193.56m, a rise of 8.3 per cent on the current year. There had been rumours that the Government would cut back sharply on the arts: in the event the minister managed to secure a budget which was almost exactly on target. The Government's expenditure forecasts earlier in the year had indicated a 2 per cent cut in real terms for the arts in 1982-83 and if inflation levels out at just over 10 per cent this will be achieved.

While things might have been much worse the arts is still receiving less money and, with inflation in this labour-intensive industry always above general inflation, arts organisations, both large and small, face an increasingly difficult future.

Last week Sir Claus Moser, chairman of the Royal Opera House, Covent Garden, made a heart-felt plea for more public expenditure on the Opera House. *Last season it* was forced to abandon two planned productions, of the operas *Salome* and *The Rake's Progress*, because of lack of funds, and this season the money saved by such economies is being eaten up by rising costs. Covent Garden will enter its

Deptford's new Albany Empire and Mr Tony Bank's the GLC's new arts paymaster

Business sponsorship just has not the spare resources

1982-83 season with no contingency *fund* and a *steadily* deteriorating financial situation. Business sponsorship, a useful subsidiary support in recent years, just has not the spare resources to underwrite new productions. The only alternative to drastic economies is an increase in the Arts Council grant, which this season is around £9m.

A few miles away in Deptford the new Albany Empire is opening tomorrow. This is a community arts centre which cost £3m to build and is planned to brighten the lives of the people in a very depressed part of London. It is an attractively designed and imposing building which has two functions—part community action, where the local population can get welfare advice and help in making the most of their lives, and part arts auditorium where the aim is to mount events which appeal to an audience that has never even considered going to *the theatre*.

The rebuilt Albany was devised in a very different economic climate and unless an extra £200,000—the gap between annual costs and annual income—can appear from somewhere this imaginative project could be a white elephant by the spring. The local authorities are strapped for cash; the Arts *Council has refused* a general grant (although it has supported individual productions). The Albany *is pinning its hopes* on Mr Tony Banks, chairman of the arts and recreation committee at the Greater London Council. It is his declared aim to switch resources from the Royal Opera House to centres like the Albany, and with a £10m a year arts budget *(only* exceeded by the £80m which the Arts Council distributed to its 1,200 clients this year) he is in a position to do something—if he can persuade his political colleagues.

The Opera House and the Albany have a warm appreciation of what they are each trying to achieve but they are, to a growing extent, competing for public expenditure, which is getting scarcer. The Arts Council's 1982-83 budget of £86m *announced on Friday is* better than expected but still represents a cut, and local *authorities will be in such* straitened circumstances generally that the arts will be, in most cases, at the end of a long queue of supplicants.

What has made the situation particularly piquant in London is the arrival of a Labour-controlled GLC with a left winger, in Mr Tony Banks, as the arts supremo. It could be that the "*irreversible switch of* resources to working people," which is the clarion call of the Left, might be first felt in the arts world. Tony Banks believes that the vast majority of "his" people, who finance the arts through their rates and taxes, never go to a theatre or an opera house, and that the arts should come to them, *through community arts centres* and touring players.

When Tony Banks organised a meeting at the National Film Theatre on the South Bank last week to discuss a document which envisaged a radical change in the way that the GLC supported the arts there was a large attendance, from Sir Claus Moser and his fellow heads of the "centres of excellence," a term abhorred by everyone present, and from many dozens of community artists, come to pay court to their new paymaster.

If the public discussion was *intended to set the parameters* between the old-established arts companies, such as the Royal Opera House, the National Theatre, the English National Opera and the Royal Shakespeare Company, and community arts, it turned out to be a walk-over for the new wave, mainly because the community artists were there in such force. The only participant who attempted to define "art" was heard out in astonished silence: it was taken as read *that you* could not differentiate between art and politics, that all arts decisions were inevitably political decisions.

This led to some political activists declaring that the total GLC arts budget should be given to the defence committees formed to support those arrested in the Brixton and Toxteth riots. Others, from the ethnic minorities, wanted to do away with the administrators and to receive much-increased budgets which they could distribute as they knew best to the various racial groups in London—they denounced such gestures as the "black" *Measure for Measure* and *The Caretaker* at the National Theatre this year as tokenism.

Tony Banks listened in silence and went away to think but there is no disputing that he is on the side of the community artists, the enthusiasts who are employed to visit council *estates, dressed as clowns,* and jolly up the kids, or involve the teenagers in "political" theatre; who are *setting* up video groups to encourage out-of-work teenagers to make movies about their lives; who plan giant murals splashed across derelict walls, depicting some incident in local history.

Mr Banks regrets that his first *initiative as arts chairman*, to prevent the £575,000 promised by the previous Conservative *administration* at County Hall for the Covent Garden building appeal going through failed because *of abstentions in his own* party. He thus lost cash for redistribution.

His second initiative—that the GLC should do a deal with the Arts Council under which the GLC took on the financing of the Greater London Arts Association from the Council which in return would shoulder the extra financing of the "centres of excellence" traditionally supported by the GLC, the National Theatre and the English National Opera—also floundered.

Tony Banks is determined that if the GLC *must* continue aid for the National Theatre and the ENO it will have more con*trol on how such aid is spent*. He has suggested that in future the two organisations will be paid for services rendered to the community, as Mr Banks sees the community. This year the National Theatre got £630,000 and the ENO £800,000 from the GLC. If Mr Banks has his way future aid will be "bought;" by the theatre sending actors around schools and council estates; the ENO visiting factories and old folks homes. Both bodies are willing to discuss the idea, but both are looking for extra cash if they are to undertake extra activities.

And it is here that the plans for revolutionising the arts in London are likely to become unstuck. After underwriting the South Bank's concert halls the GLC has only £4.3m in its arts budget this year. Tony Banks is arguing for a substantial increase next year and is confident that he can persuade his party to give more to the arts if the money is used on the unemployed, ethnic minorities in inner city areas. He still envisages taking over the cinemas being abandoned in London by the Rank Organisation and converting them into community arts centres.

Even if there is more cash available in 1982-83 from the GLC it will scarcely make good the likely shortfall from local boroughs and the Arts Council.

Not only will the arts in London be affected by the Government expenditure cutback, but for the community arts lobby political changes seem likely to nip their sudden expectations in the bud. No one bothered to mention that all the talk at the *special conference was* locked into a vacuum; the reality is that the ruling Labour *group in the GLC could lose* power by the spring through defections to the SDP.

Yet putting back the arts revolution in London is not going to help Sir Claus Moser and his financial problems. He argues that Covent Garden is not élitist: there are the

Labour group could lose power through defections to SDP

matinées for school children, the sponsored proms for young people, the attempt to keep down the prices in the heavens of the auditorium. He also *points out that last year atten*dances at the opera were 94 per cent of capacity, the highest for some years, while ballet achieved 88 per cent capacity. And all this is achieved on a subsidy of £9m, which compares with the £16m received by the Paris Opera this year (to be raised to £22m next year) and the £15m for the Vienna State Opera, and means that Covent Garden has to earn 40 per cent of its income from the box office, twice the target of some of its international rivals.

Lombard

Flexibility and doctrine

By Samuel Brittan

THERE ARE certain vogue *words which make* me want to scream whenever I hear them. The latest of these is "flexibility." Conservative MPs, impatient for the pre-election bribery to start, call for "flexibility," as do industrialists who want a pet project financed *with public money.*

Some Ministers indignantly deny that they are being inflexible. How can anyone say they are being inflexible, they complain, when they are authorising £115bn of public spending next year, instead of £110bn, as originally planned? If that is what flexibility means, and it is such a virtue, why not *make it £125bn or £225bn?* Political writers detect a "new flexibility" or a "return to rigidity" in successive speeches of Mrs Thatcher which reiterate the same policy and are sometimes even drafted by the same speech writers desperately looking for some variation of wording or emphasis.

As usual, the dictionary is of little help and supplies several alternative definitions. The first, given in the *Concise Oxford*, is "that will bend without breaking." Who can be against that? Are not the heroes of historical romances men who "will bend, but not break"?

In what passes for political *discourse*, however, a *false con*trast is drawn between sticking to doctrines or strategy and adjusting policies to events—which is said to be "flexible."

The contrast is, of course, a bogus one, like that between theory and practice. There is no such thing as something "which is good in theory, but bad in practice." A theory *which does not work out* in practice is a bad theory, not a good one. Nor is there such a *thing as practice without* theory: the question is merely whether the theory is made explicit or not.

Similarly a good economic strategy is not one which is applied irrespective of circumstances. On the contrary, it is a guide *to how to react* when circumstances change. It is interesting that those within the Treasury who best understand the Medium Term Financial Strategy are most willing to adapt the numbers, definitions and concepts to changing circumstances, while some of those who are unbelieving, but loyal, are most rigid in application.

Let us take the medium targets for the Public Sector Bor*rowing Requirement* (PSBR), which so inflames some of the critics. In the Financial Statements of 1980 and 1981 it was explained that the PSBR projections assumed certain growth rates of the economy and that if growth were different or other key circumstances changed the planned PSBR would change. I would like to have seen these *conditional relations* spelt out much more clearly; in other words the figure should have been given on a "constant employment" basis, so that the effects of an unexpectedly severe recession on the PSBR could be allowed for and targets adjusted accordingly. In other words more theory and a more explicit strategy would have allowed more room to adjust to unexpected events, not less.

Precisely because the world is a very unpredictable place, the Government's job is to provide as stable as possible a financial framework. Flexibility makes sense only in relation to stated, if evolving, objectives. Without them it degenerates into the type of short-term lurching which has got us to where we are.

A distinction should be made between the financial strategy and the essentially political objective of reducing public expenditure as a proportion of the national income. *This ratio* (over any range that is likely under any non-Benn Govern*ments) is not a good proxy* for the degree of either political or even economic freedom.

In any case the Tory undertaking to reduce the public sector ratio — when the only specific commitments were for increases in military spending and police—and to do so in a period of severe recessionary pressure was never credible. *The Government* has not been flexible here, but has simply either failed or abandoned its objective, whichever way you prefer to put it. That, however, is not a problem for those whose support is confined to the financial strategy.

Letters to the Editor

Textile trading, productivity and the loss of jobs

From the Directors of Studies Trade Policy Research Centre

Sir,—Messrs G. W. French (November 30) and J. G. Bridge (November 28) have leaped to the defence of the textile industries' "peculiar institution," the *multifibre arrangement* (MFA), but not in terms that carry complete conviction.

Mr French argues that productivity increases and consequent job losses are needed to ensure a competitive industry and "so actually preserve jobs in the long run." Given Mr Bridge's admission that "no amount of productivity gains *can ever bridge the price cap*" with low-cost suppliers, it is not clear what competitive means in this context. Does *it* mean that the industries will be competitive with those against whom they choose to compete?

The important point that has to be made, however, is that continued declines in employment in an industry facing low growth in demand, but experiencing rapid improvements in efficiency, will occur, irrespective of trade policy. Thus, the European Community's common agricultural policy, which is certainly quite protective, did not prevent enormous reductions in the agricultural labour force in member countries. If alternative jobs can indeed not be created, productivity increases in textiles and clothing are a much greater problem *than trade*, because *they* are the main reason for job losses. In fact, productivity growth, like trade, *is to be welcomed*, for there is, of course, no necessary relation between the decline in employment in any one particular industry and unemployment in the economy as a whole.

In the context of job losses, Mr Bridge's 10 per cent of the Community labour force presumably refers to the industrial labour force, itself about a third of the total. But even to claim, that the livelihood of all the Community's textile and clothing workers is threatened by imports from developing countries is an extraordinary exaggeration.

Mr French is correct to point to the "appallingly low wages and bad working conditions" in *non-developed countries*. It is undoubtedly sad that there should exist countries like India where *average income per caput* is only 3 per cent of our own, but it is not surprising that their wages are consequently low. How will depriving these workers of work altogether help them? Incidentally, does Mr French realise that the gap between wages in Brazil and the United Kingdom is smaller than between the United King*dom* and West Germany? Britain can, therefore, expect that, in time, the MFA will be used against it.

Mr Bridge rightly objects to the trade policies of South Korea and Brazil. While this is not a very good argument for the MFA, since the latter's costs are largely borne not by developing country exporters but by consumers *and other* industries in developed countries, it seems to have moral force. May we assume, therefore, that the Textile Industry Support Campaign favours unrestricted access to the markets of the European Community for Hong Kong, virtually the world's only free trader?

Martin Wolf.
Trade Policy Research Centre,
1 Gough Square,
Fleet Street, EC4.

European payment systems

From the President Visa International,

Sir,—On December 2 you reported on a brief exchange of views between Herr Wolfgang Starke, general manager of the German Savings Banks Association, and myself.

The article, and in particular, the headline, stressed the one area of disagreement rather than the expressed desire of *both partners to establish* a basis for co-operation. Certainly the headline is likely to cause misunderstanding in the German banking community.

Herr Starke's conference speech was a statesmanlike appeal for co-operation rather than confrontation between all European payment systems. This view is a major departure from the one we have heard so often from some members of the German banking community.

May I draw your attention to my speech of the previous day making a similar appeal and stating that it was not the time in Europe for the voices of *power and passion*, but the time for the voices of statesmen. Herr Starke is certainly such a statesman.

Visa did not reject his proposal for co-operation with the German banking community. We welcome and accept it, even though there is one aspect, that Visa cards are not to be issued in Germany, to which we could not agree.

Dee Ward Hock,
Visa International,
Post Office Box 8999,
San Francisco, California 94128.

Putting the cost on the users

From Mr D. Goch

Sir,—When reporting on the British Airports Authority's proposals for increasing its landing *charges* (November 26), you refer to its statutory obligation to earn as much as it can from current revenues *to help to pay* for the £766m airport developments which are planned.

While one can readily accept that organisations such as the BAA *should* be required to aim to maintain their operating capital intact in economic terms by appropriate financial and pricing policies, it seems to be unfair on the present generation of airport users that they should be obliged to contribute, through enhanced landing fees, towards the cost of future development projects which, by definition, can only benefit the next generation of air-travellers.

Surely it would be fairer to the present generation of travellers if the BAA were to be required *to base its charges on* current costs and to look to the capital market for the whole of the funds required to finance its future development projects. The resulting capital charges would then lie where they rightly belong—with the generation of travellers who will enjoy the benefits they will presumably confer.

Desmond Goch,
4, Paddock Wood,
Harpenden, Herts.

Concentrate largely on applied research

From the Managing Director Product Systems

Sir,—I *heartily support* the title you gave to Professor Wolfe's letter (November 30). I feel, however, it is a mistake to assume that large sums must be invested in new technologies for them to be successful. It is also a mistake to assume that to be *early in the field is necessarily* a good thing. It often pays to be number two.

Large sums may be necessary for basic research but evidence of recent years is that output of basic research is less and less fruitful as a springboard for applied research which can be translated into products, processes and profits. Due to our economic circumstances and the lower cost effectiveness of basic research, a more fruitful way of obtaining economic progress through new technology would be either to make use of the results of basic research funded by richer nations (normally widely *disseminated* and available); concentrate largely on applied research and development and/or to license-in new, preferably developed technology, from others (this was strongly recommended by the Advisory Council for Applied Research and Development).

Apart from apparently lamenting the proposed reductions in *university budgets*. *Professor* Wolfe gives no indication how "money should be spent soon and on a large scale." This would seem to be inadvisable unless it were spent carefully on applied research and development, licensing and allied market assessments.

In the new technology context, it is no good expanding research councils and relevant University departments or reversing reductions in University *budgets* unless the *money* involved is spent effectively and the key must be knowledge of market potential (including the moves which could be made by prospective competitors) and knowledge and possible purchase of licensable technology in the chosen product area (thus avoiding duplicated R and D effort). Once these preliminaries have been done, and not before, oriented and effective applied R and D can begin. If the results are successful, at this point much more money is required for effective marketing — the final essential *ingredient in* translating technology into the marketplace. Unnecessary expenditure and *many failures* have resulted from omiting one of these ingredients in the innovation process.

J. Bingham Dore,
Product Systems,
105 Onslow Square, SW7.

The slowest bank in the west?

From the Vice-President, Council of British Chambers of Commerce in Continental Europe

Sir,—Instructions were given to a major bank in the City on Friday November 6 to transfer pounds to an account in a the sum of several thousand (different) bank in Brussels. This sum was credited to the latter account on November 30; *it did not* require *any special* official clearance on arrival in Belgium.

Delays of this nature are not infrequent and in spite of *urgent instructions being given*, a payment never arrives rapidly.

In this day of rapid communications, are such delays acceptable, especially since they involve loss of interest to customers, although presumably being beneficial to banks?

Dick H. Pantlin,
11, Avenue de Mercure,
Brussels 1180, Belgium.

Bermuda investment group raising £20m

Newmarket Company (1981), the Bermuda-based venture capital group with investments mainly in the U.S., is raising around £20m through an offer for sale of 6.5m shares at $5.90 or £3.05 per share. The company is also seeking a full Stock Exchange listing.

Applications have already been accepted for half the shares on offer and the application date for the remainder is Thursday, December 10. Newmarket currently has a portfolio of 11 investments. One holding—in Evans and Sutherland Computer—represents about 90 per cent of net worth. The issue, which is underwritten by Cazenove and Co, will roughly double the company's net asset value.

From the net proceeds of the issue, amounting to $36m, about $11.5m is already committed for specific purposes and the remainder will be allocated to venture capital projects over the next three to five years.

Newmarket has also entered into a joint venture with King's College, Cambridge, to finance research into commercial projects. Newmarket will provide $250,000 in loans to the new venture.

FT SHARE INFORMATION

The following securities have been added to the Share Information Service:

Feedback (Section: Electricals).
Moray Firth Exploration (Oil and Gas).
Osprey Petroleum (Oil and Gas).
Scottish Ceylon Tea (*Trusts*, Finance, Land).

PHILLIPS PATENTS

With its manufacturing losses cut from £187,852 to £7,512, Phillips Patents (Holdings) achieved a small pre-tax profit of £6,624 for the half year to August 28 1981, against a deficit of £186,875 last time. Turnover showed a reduction from £2.51m to £2.15m.

Quotation values Cussins Prop. at £4.5m

Cussins Property Group is to join the lengthy list of quoted Newcastle-based housebuilders when stockbrokers, Capel-Cure Myers, place 1.4m ordinary 20p shares at 82p per share. The issue comprises 25 per cent of the capital and thus values the group at £4.5m.

Founded 10 years ago by the chairman, Mr Peter Cussins, the group has raised pre-tax profits from £230,000 to £470,000 between 1976 and 1980 although the record has been distorted by the sales or retentions of various completed commercial developments and, in one year, by the completion of a local authority housing project. This year, Cussins expects to make £1.2m before tax and, had it been a public company for the whole year, would have paid dividends totalling 4.3p per share with a final of 2.9p per share, payable next May.

Adding back some £600,000 of unallocated group overheads, the divisional profits split would have shown 57 per cent from housebuilding, 33 per cent from the sale of completed commercial property developments with the rest from rented income on the property investment portfolio, valued at £2.97m.

No forecast for 1982 is attempted but Mr Cussins expects a substantial rise in net rental income from reviews and new lettings while the group has a full workload of housing developments through until the early part of 1983.

● comment

Such strength as there is in the housebuilding share sector stems from individual attempts to inject refined marketing techniques into the volume market. Cussins eschews such innovation but, building some 100 units annually in the past and perhaps no more than 140 homes this year, is should not need to. It looks for the moment and for some time to come that Cussins will stay within the confines of the North East. Much the same can be said for the commercial development division. Here at least, the price has been pitched so as to avoid the blurred identity of the many builders-cum-property investors. The placing is just above net asset backing of 80.5p per share and, if £2.97m the investment property portfolio is stripped out, the housebuilding operation is selling at about 4½ times 1981 earnings. That looks sufficiently conservative to find reasonable support and there is some attraction too in the projected yield of 8.5 per cent. The issue is not raising new money but the balance sheet is only 12½ per cent borrowed and Cussins should have sufficient muscle to lift the property investment effort. It would be wrong, however, to look for the benefits inherent in a geared portfolio or, equally, much cyclical swing in housing completions.

Spanish bank for 163 list

Banco Urquijo, one of Spain's most prestigious financial institutions, has placed just over 5 per cent of its capital with around 25 UK institutional shareholders. The shares will be dealt in under the London Stock Exchange's Rule 163 (1) (e). A full London listing is to be sought in due due course.

The bank is the largest industrial bank in Spain and ranks eighth in size amongst Spain's private banks. Its shares are quoted on the Madrid, Barcelona, Bilbao and Valencia stock exchanges. The bank's market capitalisation is Pta 21.14bn (£114m) and it has balance sheet footings of Pta 985.94bn (£5.32bn).

Lazard Bros and Co. placed the 560,000 shares of Pta 1,000 each at an unspecified discount. It had bought the shares from a subsidiary of the bank and the shares will be evidenced by bearer international depository receipts (IDRs) issued by the London office of Morgan Guaranty Trust. E. B. Savory Milln and Co. are brokers to the placing.

It is the first issue of IDRs for a Spanish company in the London market.

The bank has so far not produced consolidated accounts as required by the Stock Exchange for a full listing.

However, it is planning to produce such accounts for the year to end-September, 1981.

It has 50,000 shareholders in Spain and sees the London listing as part of a general increase in its international activity.

The Madrid-based bank was founded in 1870.

Its activities fall into four broad categories: wholesale domestic banking; international banking; investment banking, including fund management, underwriting of bond issues and financial advice; and equity investments in a wide range of industrial companies.

USM placing at 100p. for Hardanger

THE PROSPECTUS is published today for the placing on the Unlisted Securities Market of 1.55m ordinary 10p shares, 29 per cent of the enlarged capital, of Hardanger Properties at 100p per share.

The company, which operates mainly in the Midlands, specialised in residential development until 1978 when the directors decided to concentrate on developing commercial properties.

Turnover has grown from £656,000 in the year to September 30 1977 to £2.37m in 1980-81. Pre-tax profits over the same period have risen from £90,000 to £443,000.

The directors are forecasting a profit before tax in the current year of £900,000. They also undertake to pay dividends totally 9.8p in respect of 1981-82.

Of the shares in the placing, 1m are new shares and the balance are being sold by the chairman, Mr D. C. Coombs, and the managing director, Mr T. N. Siviter. Part of Mr Siviter's proceeds will be used to buy his house from the company for £193,500.

The directors have converted 3.3m of their 3.75m shares combined, to non-participating shares which will not be convertible back into ordinary shares until group profits reach £1.5m. They have also waived their entitlement to dividends on their 450,000 ordinary shares this year.

A pro-forma balance sheet at September 30 1981, adjusted to include the proceeds from the placing and the sale of Mr Siviter's house, shows net tangible assets of £1.8m. Land and work in progress are worth £1.7m and bank loans amount to £24,000.

The company's policy is to acquire sites and predominantly pre-fund retail developments.

The placing is being made by Hill Woolgar and brokers to it are Sternberg, Thomas Clarke. Dealings on the USM begin on December 10.

● comment

Like Trust Securities a little over a year ago, Hardanger is coming to the USM on a placing price that is nearly three times the underlying net asset value. But companies are in the business of creating projects and then selling them to institutional investors, and the value added in this process does not usually appear in balance sheets. The main difference between the two groups is that Trust specialises in office properties, Hardanger in retail developments. The office market may be more volatile than the retail sector but Hardanger often has to invest a lot of capital to pick up prime high street sites. The forecast 14 per cent yield looks very attractive when compared to the indicated 3.4 per cent payout on

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetable.

TODAY

Interims — AAA Industries, Geo. Bassett, Blyvooruitzicht Gold Mining, C. H. Industrials, Caffyns, Initial Services, Kleen-E-Ze, Lynton, Alfred Preedy.

Finals—Durban Roodepoort Deep, East Rand Proprietary Mines, Edbro, J. H. Fenner, Trafalgar House.

FUTURE DATES

Interims—

Crown House	Dec 14
Elliott Group of Peterborough	Dec 8
Helical Bar	Dec 11
Linfood	Dec 9
Tex Abrasives	Dec 15

Finals—

North British Steel	Dec 11
Nottingham Brick	Dec 17
Plaxtons (GB)	Dec 15
Sotheby Parke Bernet	Dec 10

SPAIN

1981 High	1981 Low		Dec 4 Price %
339	251	Banco Bilbao	334
345	280	Banco Central	328
320	229	Banco Exterior	307
330	239	Banco Hispano	325
128	115	Banco Ind. Cat	115
383	284	Banco Santander	359
219	148	Banco Urquijo	219
366	263	Banco Vizcaya	350
252	203	Banco Zaragoza	213
165.5	82	Dragados	140
75	45	Espanola Zinc	63
72	55	Fecsa	65.7
55	22	Gal. Preciados	48
82.7	63.5	Hidrola	75.5
62.5	52	Iberduero	56
102.5	70	Petroleos	95.2
94	70	Petroliber	94
102	40	Sogefisa	40
80	60	Telefonica	79.5
78.2	60	Union Elect.	76.2

BASE LENDING RATES

A.B.N. Bank	14½%
Allied Irish Bank	14½%
American Express Bk.	15 %
Amro Bank	14½%
Henry Ansbacher	14½%
Arbuthnot Latham	15 %
Associates Cap. Corp.	15 %
Banco de Bilbao	14½%
BCCI	15 %
Bank of Cyprus	14½%
Bank Street Sec. Ltd.	16 %
Bank of N.S.W.	15 %
Banque Belge Ltd.	15 %
Banque du Rhone et de la Tamise S.A.	15 %
Barclays Bank	14½%
Beneficial Trust Ltd.	15½%
Bremar Holdings Ltd.	15½%
Bristol & West Invest.	16 %
Brit. Bank of Mid. East	14½%
■ Brown Shipley	15 %
Canada Perm't Trust	15½%
Cavendish G'ty T'st Ltd.	15½%
Cayzer Ltd.	15 %
Cedar Holdings	15 %
■ Charterhouse Japhet	15 %
Choulartons	15½%
Citibank Savings	¶15 %
Clydesdale Bank	14½%
C. E. Coates	15 %
Consolidated Credits	15 %
Co-operative Bank	*14½%
Corinthian Secs.	14½%
The Cyprus Popular Bk.	14½%
Duncan Lawrie	14½%
Eagil Trust	14½%
E. T. Trust Limited	15 %
First Nat. Fin. Corp.	17 %
First Nat. Secs. Ltd.	17 %
Robert Fraser	15 %
Grindlays Bank	‡14½%
■ Guinness Mahon	14½%
■ Hambros Bank	14½%
Heritable & Gen. Trust	14½%
■ Hill Samuel	§15%
C. Hoare & Co.	†14½%
Hongkong & Shanghai	14½%
Knowsley & Co. Ltd.	15 %
Lloyds Bank	14½%
Mallinhall Limited	14½%
Edward Manson & Co.	16 %
Midland Bank	14½%
■ Samuel Montagu	14½%
■ Morgan Grenfell	14½%
National Westminster	14½%
Norwich General Trust	14½%
P. S. Refson & Co.	15 %
Roxburghe Guarantee	15½%
E. S. Schwab	15 %
Slavenburg's Bank	14½%
Standard Chartered	‖14½%
Trade Dev. Bank	14½%
Trustee Savings Bank	14½%
TCB Ltd.	14½%
United Bank of Kuwait	14½%
Whiteaway Laidlaw	15 %
Williams & Glyn's	14½%
Wintrust Secs. Ltd.	14½%
Yorkshire Bank	14½%

■ Members of the Accepting Houses Committee.
* 7-day deposits 12.50%, 1-month 12.75%. Short term £8,000/12 months 15.10%.
† 7-day deposits on sums of £10,000 and under 12½%, up to £50,000 13% and over £50,000 13¼%.
‡ Call deposits £1,000 and over 13%.
§ Demand deposits 13%.
‖ 21-day deposits over £1,000 13½%.
¶ Mortgage base rate.

Profit-conscious Hanson finds the wooing hard going

By Richard Lambert, Financial Editor

THE WAY things have been going lately, you might think that Hanson Trust had been struck with a *nasty case of corporate BO*. Whenever this acquisitive UK holding company goes out courting, its intended partner seems to make a beeline for the hills.

A year ago, it bid for Central Manufacturing and Trading, *only to see it disappearing into* the sunset in the arms of Caparo. Then it turned to G. H. Downing, which promptly sprang into bed with Steetley.

It is now bidding for Berec, the leading UK battery group. Its terms were "totally inadequate," Berec fumed—*before* gratefully accepting an offer worth little more than 15 per cent extra from a friendly white knight in the shape of Thomas Tilling.

One reason for Hanson's unpopularity with takeover candidates is that it is not a generous bidder. Bluff can play an important part in takeover battles, and it suits Hanson's book to be thought of as being quite prepared to walk away if the terms which it thinks appropriate are not accepted by shareholders. Last Friday's move to increase its offer for Berec was quite unusual by Hanson's standards.

Another explanation is that *Hanson* is not one for trying to win over unwilling management with sweet words. The directors of Berec were left with little *doubt about their likely position* in the event of a successful Hanson bid. And they could see a *precedent*. *Not one director* of Lindustries, the holding company which was taken over after a keen battle in 1979, now remains in Hanson's employment.

In its U.S. forays, by contrast, Hanson's bids have more often than not been agreed by both sides, and the existing directors *have usually stayed in place*. Hanson director Mr Martin Taylor thinks one reason may be that managers tend to have different priorities in the two countries.

Seeking to protect their own positions

"U.S. managers often have large humps of stock in their own business," he says. "In the UK, managers seem sometimes to be more concerned *with seeking to protect their* own position."

It seems likely, too, that U.S. executives are more likely to be in tune with Hanson's unswerving concentration on the bottom line than their counterparts in the *UK*.

"We sometimes find that when we take over a company in the UK it doesn't really know why it is in business," Mr Taylor says. "We seek to instil an increased sense of profit responsibility."

This is done through a system of decentralisation, which is the key to Hanson's way of managing businesses. The group—which last year made profits of *£49.7m pre-tax—employs* just 18 executives in its London headquarters.

The role of the centre is confined to broad policy making, financial control and the provision of finance. There are no frills like marketing, legal, pensions, industrial relations or purchasing services.

Such central systems would dilute the authority of the men who are actually running the businesses, Mr Taylor argues. "Provide these services, and you provide an excuse for failure."

The key men in Hanson's UK operations are the chief executives of its five operating divisions — *Butterley (building* materials), Barbour Campbell *(yarn and thread)*, SLD (pumps and construction equipment), Lindustries and British Agricultural Services.

Each chief executive has his *own financial controller*, and operates within his own distinct empire. The Hanson name stops at the door of the London office, and is not attached to any of *the subsidiary companies.*

HANSON'S PROFITS 1980-81

	£m.
U.S.	
Carisbrook (specialty textiles)	13.0
Interstate (catering)	6.1
Endicott Johnson (footwear)	7.8*
Ames (handtools)	5.2*
Hygrade (meat processing)	5.4
Seacoast (fishmeal)	1.8
U.S. total	39.3
UK	
Butterley (building materials)	5.5
Lindustries (engineering, polymer)	4.9
Barbour Campbell (yarn and thread)	1.9
SLD (pumps and construction equipment)	1.9
British Agricultural	0.6
UK total	14.8
Less interest, etc.	4.4
Total profits before tax	49.7

* 6 months only.

Four out of the five divisional chiefs have been with Hanson *for at least 10 years*: the fifth had been running the Campbell group for years before *it was bought by Hanson in* 1978.

Only one of the five has *actually spent any length of* time in more than one division of the Hanson empire. All the others have risen to the top from within their own businesses.

These decentralised operations leave little room for the head office trappings that tend to come with a new acquisition. Lindustries had a head office employing roughly 50 people, *and another office in Liverpool* concerned with its textile activities, most of which were in Northern Ireland. Both have now disappeared.

The textile business has been blended into Campbell's interests in Northern Ireland. *The rest of Lindustries is* controlled by a chief executive and a couple of accountants out of a small office in Watford.

For Hanson, decentralisation is a way of nailing profit responsibility on to particular individuals in the field. The financial performance of each division is monitored closely *from the centre, and the group* has a similar structure in the U.S. where six separate divisions report to a corporate headquarters in New Jersey.

"*We regard budgets as a* promise, not a plan," says Mr Taylor. And throughout the year, the divisions are constantly checked against their targets for profit, cash flow, and capital spending.

The five chief executives submit their numbers in great details to head office, and spending plans require approval down to the last £500.

"*We are not trying to second* guess our managers," Mr Taylor explains. "But we want to know that each executive has satisfied himself about the nature of the payback from every capital project."

To encourage managers to think along these lines, Hanson has built another unusual feature into its management *structure—a system of incentive* payments related to profit performance. These go well beyond the divisional chiefs and apply to what Mr Taylor describes as "*decision makers*" throughout the group. The numbers vary according to the type of business activity, but a business making annual profits *of £1m could have perhaps four* or five managers on incentive payments.

Significant extra sum of money

The idea is that managers *should be paid a proper wage* for their job, and on top of *that should* be able to make a significant extra sum of money in return for "super-performance." It is not unusual for the payment to represent as much as 50 per cent of the basic wage, and figures of 20 per cent or so *are apparently quite common.*

Performance is related to the *return on capital within the* particular activity, and payment depends on the business making an improvement from one year to the next. Among other things, this *makes* the figures more reliable: if an executive inflates his returns in year one, he will have difficulty in making the grade in year two.

The question is whether all this concentration on short term profits is in the long-term *interests of the group.* Mr Taylor, naturally, is confident that it is. Hanson is not involved in high technology, and can reasonably look for a rapid payback from investment in most of its activities.

To prove the point, he cites *the case of Butterley*, which was making profits of less than £400,000 when it was bought in 1969. Acquisitions and internal growth took the figure up to *about £1?m by 1972* — and without further deals of any significance, profits were up to £5.5m by 1980-81, which was a disastrous year for house building.

Butterley has not attempted *aggressively to increase its share* of the UK brick market, but it has steadily pushed into higher quality ranges, and developed specialised strength in particular sectors. Without the need for major new investment, *the business has developed* successfully under its own steam—and has thrown out cash to help develop other parts of the Hanson group.

The formula may not be popular with potential marriage partners. But *it has worked* well for the past 18 years.

LOCAL AUTHORITY BOND TABLE

Authority (telephone number in parentheses)	Annual Interest gross interest	Annual Interest payable	Minimum sum	Life of bond
	%		£	Year
Knowsley (051-548 6555)	14¼	½-year	1,000	4-8

INTERNATIONAL CAPITAL MARKETS

INTERNATIONAL BONDS

Saved by the bell

BY ALAN FRIEDMAN

"THE MARKET was suffering from too many borrowers trying to clean up their balance sheets before the year-end, and too many investors sitting on the sidelines."

These were the words of a weary Eurobond trader, looking back at the four days of indigestion and lack of investor interest which preceded Friday's burst of energy in the Eurodollar sector.

Until then it certainly seemed that the rally was over. Investor interest was evaporating, dealers were carrying inventories which were too heavy and new paper kept coming, some of it not at all high quality.

The Eurodollar market saw prices marked down more than two points from Monday to Thursday, reflecting the sagging performance of the New York bond market.

As the Euromarket fell, Dillon Read announced the cut of its $100m Texas Eastern issue to $75m. The coupon was hoisted from an initial indication of 15½ per cent to 15⅞ per cent. The lead-manager spoke of a "need to be realistic" and closed the deal several days ahead of schedule; Texas Eastern wants to return to the market and could not afford a failure.

Following this malaise, the Eurodollar sector was, in the words of one trader, "saved by the bell" on Thursday as the Federal Reserve Board cut the discount rate to 12 per cent and the New York market rallied again. Europe followed, gaining further encouragement from Friday's 8.4 per cent U.S. unemployment figure, which could prompt official actions to lower interest rates to stimulate the economy.

Suddenly, dealers in London and on the Continent started "going long" again and the heavy inventories of a few days before seemed less of a burden. The indicators appeared favourable once more, with Fed funds dipping below 12 per cent and the six-month Eurodollar rate falling to 12⅝ per cent on Friday (see chart).

Where is the Eurodollar sector now heading? Crystal balls aside, there are three factors worth remembering:

● The Eurodollar market is now seeing bond prices at reasonably high levels, above which it is difficult to move without a technical reaction.

● Dealers continue to enjoy "positive carry." Holding certain paper can be profitable business.

● The "titbit of information" factor has become vital as the market scrounges for news of the U.S. recession or interest rate cuts to sustain its rally.

What does this add up to? With the burden of a steady flow of new issues in mind, it suggests that the rally can be sustained as long as interest rates remain at acceptable levels and show an intermittent downward trend. The U.S. prime cut last week, combined with the discount rate cut and with the ½ per cent reduction in West Germany's special Lombard rate, all provided encouragement to the market.

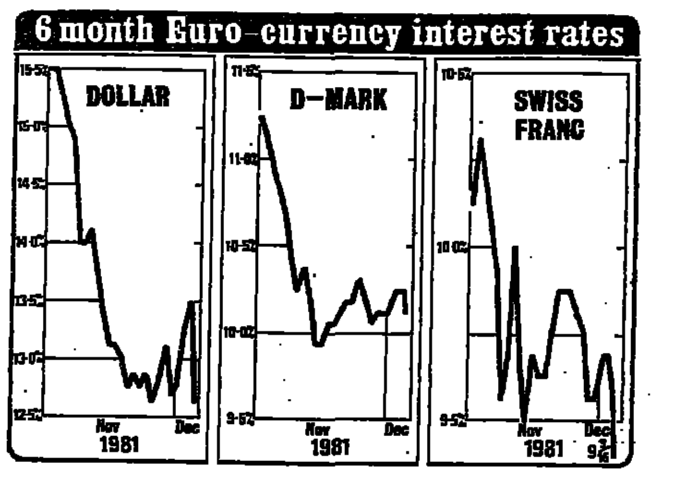
The market also requires a steady, but not constant flow of statistics, mainly from the U.S., showing a deepening recession.

In the weeks before Christmas, this combination of factors seems possible. Provided the primary market is not overburdened with new issues, a period of consolidation is also possible.

Meanwhile, another major phenomenon in the Eurodollar, Euro D-mark, and foreign bond Swiss franc sectors is the reappearance of the Japanese convertible. Mitsubishi Electric was the first large issue since the mid-September slump with its $80m offer through Daiwa Securities. It was followed quickly last week by Sakai Heavy Industries ($15m), Tokyu Stores ($25m), Konishiroku (DM 100m), Ibigawa (SwFr 20m) and D'Urban (SwFr 20m).

The D mark foreign bond sector was encouraged by the Bundesbank's moves on monetary policy, particularly the cut in the special Lombard rate to 10½ per cent. Prices closed ¾-1 point up on the week.

In Switzerland, IBM has launched a SwFr 300m foreign bond as a private placement through Swiss Bank Corporation. The coupon is 6¼ per cent.



CREDITS

BY ALAN FRIEDMAN

A$1bn for power plant in Australia

FROM THE Hunter Valley region of Australia's New South Wales comes news of a A$1bn ($1.15bn) Eurocredit. It seems that the state's electricity commission is in the process of selling the Eraring power station to a consortium of corporations and financial institutions.

The 12- to 15-year Credit, on behalf of the consortium, is being arranged by the Bank of New South Wales and Salomon Brothers of New York.

On the other side of the southern hemisphere, Argentina's oil concern, YPF, has awarded the mandate for a $400 eight-year credit to a group led by Chase Manhattan and Bank of Tokyo. The terms involved a spread of 1⅜ per cent above Libor for the first four years and 1½ per cent thereafter. There is a three-year grace period.

In sharp contrast to the YPF margins was a ground-breaking mandate awarded by Colombia for a $200m 10-year credit to a group of banks led by Chase and by Chemical Bank. The terms, ¾ per cent above Libor for the first three years and ⅞ per cent thereafter, are among the finest ever seen for a Latin American sovereign borrower.

Back in Europe, Lloyds Bank International is leading a £75m sterling acceptance credit for Chemolimpex, the Hungarian state chemicals concern. The two-year credit, with a ½ per cent acceptance commission, is said to represent the first syndicated sterling credit for a Comecon country.

The credit is guaranteed by the National Bank of Hungary and has been underwritten by LBI, Barclays Bank International, and Sumitomo Bank Limited. The proceeds will be used as trade finance for Hungary's chemical imports.

LBI hopes to form a management group of six and is looking for three more institutions to join.

Cautious optimism was being expressed on Friday by representatives of the 501 Western banks involved in the rescheduling of Poland's $2.4bn of debt which has been falling due in the last nine months of this year.

As the working party representing six banks stepped off the planes from Warsaw, it looked as though the banks stood a chance of receiving their $450m of interest due this year. This, at least, is the condition agreed as a prerequisite to the signing of the 95 per cent commercial debt rescheduling package, now set for the end of this year.

Even more intriguing than the prospect of a signing was the possibility mooted by some bankers that Poland could receive limited amounts of new private bank money next year, to be tied specifically to the country's imports.

Also on the subject of rescheduling, a group of 10 bankers will meet on Wednesday in New York with Costa Rica officials. Talks will resume there on the rescheduling of nearly $2.7bn of foreign debt, of which around $1bn is in bank debt.

Still unresolved, however, is the status of $132.8m of outstanding Costa Rica bonds. This is holding up progress in other areas and will be a key item on the New York agenda.

CURRENT INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Lead manager	Offer yield %
U.S. DOLLARS							
§‡Renown Inc.	35	1996	15	5¼	100	Daiwa Europe	5.250
‡HCA Finance	50	1988	7	15½	99½	Nomura Secs., Bache Halsey Stuart	15.622
‡Montana Power	50	1987	6	15⅛	100	Kidder Peabody	15.375
Texas Eastern	75	1988	6	15⅞	*	Dillon Read, SBC	*
Western Mining	50	1988	7	15⅛	*	S.G. Warburg	*
†PKbanken	50	1991	10	5⊕	100	PKB Invsts.	5.000⊕
§Mitsubishi Electric	80	1996	15	5¾	100	Daiwa Europe	5.750
§Sakai Heavy Inds.	15	1996	15	6	100	Nikko Secs., DBS Daiwa Secs. Intnl.	6.000
Imasco	50	1988	7	15½	*	Wood Gundy	*
‡RCA Ovs. Fin. NV/BV	75	1986	5	15½	100	Merrill Lynch	15.500
‡Transamerica	75	1986	5	0	53¾	Morgan Guaranty	13.220
†‡ENI	150	1989	8	5¼	100	Nomura Secs.	5.576
§Tokyu Stores	25	1996	15	5¼	100	Nomura Secs.	5.250
Alcoa	50	1988	7	15¼	*	CSFB	*
§JVC	100	1997	15	5¼	100	Yamaichi, Nomura	5.250
††Bank of Scotland	100	1992	10½	5¼⊕	100	Bank of Scot., Kleinwort, Goldman Sachs	5.319⊕
Nova	125	1988	7	15¼	*	UBS, SG Warburg	*
Pacific Gas and Electric	60	1988	7	15¾	*	CSFB	*
CANADIAN DOLLARS							
‡GMAC (Canada)	75	1987	5	16	99½	Societe Generale	16.182
STERLING							
**‡CNA (France)	30	2006	25	16	97.483	Kleinwort, Baring Bros.	16.430
D-MARKS							
‡New Zealand	200	1989	8	9¾	100¼	Commerzbank	9.440
‡World Bank	250	1991	10	10	100	Deutsche Bank	10.000
**§‡D'Urban	20	1987	6	6¼	100	DG Bank	6.250
**‡Aust. Kontrollbank	150	1986	5	9¾	100	Bay. Verinsbank	9.750
**‡Ardal	50	1987	6	10	100	Deutsche Bank	10.000
**‡Philips Lamp	75	1986	5	9¾	100	BHF Bank, SBC Int.	9.750
**‡EIB	60	1988	7	9½	100½	Commerzbank	9.499
‡Mexico	100	1988	7	11	99	Deutsche Bank	11.210
§Konishiroku	100	1990	8½	6	100	West LB	6.000
‡Ireland	100	1986	5	10⅛	99¾	Commerzbank	10.191
SWISS FRANCS							
‡Australia	100	1991	—	6¾	100	UBS	6.750
**§Descente	50	1986	—	*	100	UBS	*
**§‡D'Urban	20	1986	—	6⅛	100	UBS	6.125
Denmark	100	1991	—	7¼	*	UBS	*
**§Ibigawa	20	1987	—	*	100	SBC	*
**‡IBM	300	1987	—	6½	100	SBC	6.500
**Pemex	75	1986	—	8¼	*	SBC	*
‡Belgelectric	80	1991	—	7½	99¾	CS	7.537
SDRs							
†‡Renfe	50	1989	6½	5⊕	100	Orion Royal	5.000⊕
YEN							
‡IADB	20bn	1996	15	8.6	100	Yamaichi Secs.	8.600
KUWAITI DINARS							
‡Union Pacific Fin. NV	7	1988	6.1	11¾	100	KIIC	11.750

* Not yet priced. ‡ Final terms. ** Placement. † Floating rate note. ⊕ Minimum. § Convertible. †† Registered with U.S. Securities and Exchange Commission. ¶ Purchase Fund.
Note: Yields are calculated on AIBD basis.

U. S. BONDS

BY DAVID LASCELLES

Ground laid for further rate cuts

WALL STREET begins this week greatly encouraged by the cut in the Federal Reserve Board's discount rate from 13 per cent to 12 per cent last Thursday night which gave the credit markets a big boost before the weekend. The move was long overdue, most people thought, and if the Fed had delayed much more there was a strong chance that the month-long rally, which had already begun to stutter, would go into reverse.

As it is, the ground has been laid for further declines in interest rates, though investors and borrowers alike will probably be more cautious than in the heady days of November.

For one thing, the Fed's delay underlined the fact that the country's monetary policy-makers are trying to keep the rally under control. They have been careful not to lead the market, only to follow it down, though the latest cut must also have been influenced by the deepening recession. For another, the volume of both corporate and government loan demand over the next few weeks will be enormous, and the market will need all the strength it can muster to cope with it.

The weakness of the economy is a help because it will take some of the sting out of credit demand. The inflationary outlook is also the best it has been for a very long time. The annual rate for 1981 will almost certainly turn out below 10 per cent for the first time since 1978. (The wholesale price index for November is expected to show a rise of about 0.5 per cent, which would confirm the weak underlying trend of inflation.)

The money supply, after rising three weeks in a row, fell last Friday, but by less than traders had hoped.

A crucial pointer over the next few days will be the Fed funds rate. Its failure to pierce through the psychologically important 12 per cent level before the discount rate cut was unnerving. On Friday, it managed to reach 11¼ per cent. But Wall Street wants to see it stick there for several days to prove that the market has, indeed, burst through to a new trading range.

The Street is particularly anxious to see the rally continue because traders have built up enormous inventories over the last few weeks to maximise profits. These inventories could turn into a potentially dangerous overhang if the market failed to make more headway.

The weakness of the credit markets in the early part of last week caused a lot of borrowers to postpone their plans, and the calendar turned out to be much lighter than expected.

If the market holds up this week, the calendar could amount to several billion dollars with General Motors Acceptance Corporation alone planning a two-part $650m issue, the World Bank $600m, and the Swedish Export Corporation $100m.

U.S. INTEREST RATES (%)

	Week to Dec 4	Week to Nov 27
Fed funds wkly. av.	12.48	12.27
3-month Treas. bills	10.52	10.13
3-month CD	12.00	11.75
30-year Treas. bond	12.94	12.82
AA Industrial	15.50	14.75
AAA Util.	14.75	14.38
Visible supply ($bn)	10.1	8.9

Source: Salomon Bros., First Boston.

FT INTERNATIONAL BOND SERVICE

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Anheuser-Busch 16½ 88	100	103¾	103⅞	+0⅛	−0⅜	15.64
APS Fin. Co. 17⅛ 86	60	104½	105	+0½	−0⅛	15.74
Br. Colum. Hyd. 16⅛ 88	100	104⅛	104⅝	+0½	−0⅛	15.10
Br. Colum. Mla. 17 87	54	105	105½	+0⅛	−0⅜	16.05
Caterpillar Fin. 16⅛ 86	100	103⅜	104⅛	+0⅛	−0⅞	15.26
CFMP 16⅛ 96	100	103⅞	104⅛	+0½	−0⅛	16.04
CIBC 16⅛ 91	100	105⅛	106⅛	+0⅜	−0⅛	15.52
Citicorp Int. Fin. 15 86	150	101⅜	101⅞	+0⅛	−0⅛	14.43
Citicorp O/S 16⅛ 86	150	106⅛	106⅝	+0½	+1⅛	14.78
Cities Service 17 88	150	106⅝	107	+0⅛	+1⅛	15.28
Con. Illinois 14⅞ 84	100	100⅞	101⅛	+0⅛	−0⅜	14.20
Cons.-Bathurst 17⅛ 88	80	103⅞	104⅜	+0⅛	−0⅛	16.44
CPC Fin. 16⅛ 86	50	105⅞	106⅛	+0⅛	−0⅞	14.89
Dupont O/S 14½ 88	400	99⅞	100⅛	+0⅛	+0⅛	14.53
EEC 14⅛ 93	65	98	98½	+0⅛	−0⅛	15.03
EIB 16⅛ 88	100	103⅜	103⅞	+0⅛	−0½	15.55
EIB 16⅛ 91	100	105	105½	+0⅛	−0⅛	15.65
Ford Cr. O/S Fin. 15 85	150	99½	100	0	+0⅛	15.99
GMAC O/S Fin. 14⅜ 87	100	98⅞	99⅜	+0⅛	−0½	14.92
GMAC O/S Fin. 16⅛ 84	300	103⅛	103⅝	+0⅛	−0⅛	14.94
Gulf States O/S 17½ 88	60	106½	107	+0½	−1	15.77
IBM Wld. Trade 14⅜ 85	60	103	103½	+0⅛	−0⅛	13.49
Nat. Bk. Canada 16⅛ 88	40	101	101½	+0⅛	−1	16.83
New Brunswick 17 88	60	105½	106	−0½	−1½	15.53
Newfoundland 17⅛ 89	60	107⅝	108⅛	+0½	+0⅛	15.38
Nova Scotia 15 91	75	100⅛	100⅝	+0⅛	+0⅛	14.87
Ohio Edison Fin. 17½ 88	75	103⅛	103⅝	+0⅛	−1	16.60
OKG 15⅛ 97	50	98⅞	99⅜	+0⅛	0	15.84
Pacific Gas Elec. 16 88	75	104	104½	+0⅛	+0⅛	14.89
PSNH Int. Fin. 17 86	30	102⅞	103⅜	+0½	−0⅞	15.96
Quebec Hydro. 17⅛ 91	150	107⅜	107⅞	+0⅛	−0⅛	15.70
Saskatchewan 16⅛ 88	100	102⅞	103⅜	+0⅛	−0½	15.47
Shell Canada 15⅛ 91	100	105	105½	+0⅛	−0⅛	14.67
South California 14⅞ 88	50	101½	102	+0½	−0⅛	14.26
Swed. Ex. Cred. 16⅛ 93	75	103	103½	+0⅛	−0⅛	15.87
Tenneco Int. 17 89	100	106	106½	+0½	−0⅛	15.53
Transcanada 17⅛ 88	75	106⅝	107⅛	+0⅛	−0⅞	15.86
Transcanada 16 89	100	100⅞	101⅜	+0⅛	−0½	15.80
Walt Disney 15⅛ 86	100	103⅛	103⅝	+0⅛	−0⅞	14.65
Wells Fargo Int. 15½ 84	50	103½	104	+0½	0	13.53
Winnipeg 17 88	50	106⅛	106⅝	+0½	−0⅛	15.02
World Bank 16 86	210	102⅞	103⅜	+0⅛	−0⅛	14.97
World Bank 16 88	80	102⅞	103⅜	+0⅛	−0⅛	15.17
World Bank 16⅛ 86	130	104⅛	104⅝	+0½	−1	15.11
World Bank 16½ 88	100	104⅛	104⅝	+0⅛	−0⅞	15.35

Average price changes... On day +0⅛ on week −0⅛

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev. Bank 10 91	100	99⅞	100⅜	+0⅛	+0⅛	9.94
Asian Dev. Bank 10⅛ 89	100	102⅛	102⅞	+0⅛	+0⅞	10.26
Austria Rep. of 8⅜ 92	150	91⅝	92⅛	+0½	+1⅞	9.45
Belgelectric 11 91	100	102	102½	+0⅛	+0⅛	10.59
CECA 10 91	120	102⅛	103	−0⅛	+1⅞	9.55
Council of Europe 10 91	100	100⅛	100⅞	+0⅛	+0⅛	9.90
Cncl. of Europe 10⅛ 91	100	100⅞	101⅛	+0⅛	+0⅛	10.12
EIB 8½ 90	200	94⅞	95⅜	+0⅛	+0⅛	9.35
EIB 10½ 91	200	102⅞	103⅜	0	+0⅛	9.93
ESCOM 9⅛ 87	100	95⅞	95⅞	+0½	+0⅞	10.30
Finland, Rep. of 10 89	100	99⅞	100½	+0⅞	+0⅛	9.93
Ind. Bk. Finland 8½ 90	50	92⅛	92⅞	+0½	+1⅛	9.79
Int.-Am. Dv. Bk. 10 91	100	100⅛	100⅞	0	+0⅛	9.90
Japan Air Lines 8⅛ 87	100	95⅞	96⅛	+0⅛	+0½	9.02
Japan Dev. Bk. 7⅞ 87	100	92⅞	93⅜	0	+0⅛	9.17
Midland Int. Fin. 8⅞ 90	180	94⅞	95⅛	0	+0⅛	9.39
Mt. Bk. Dnmk. 10⅛ 91	100	100½	101	+0⅛	+0⅛	10.37
Nat. West. 11 91	125	104⅞	105⅛	+0⅛	+0⅛	10.16
OKB 10½ 91	150	101½	102	+0⅞	+0⅞	9.83
Renault Accept. 10⅛ 88	150	100⅞	101⅛	+0⅛	+0⅛	10.46
Swed. Ex. Cred. 10⅛ 91	100	100⅛	100⅞	+0⅛	+0⅛	10.16
Venezuela, R. of 9⅛ 90	150	94⅛	95	+0⅛	+0⅛	10.71
World Bank 11 91	100	103⅞	104½	+0⅛	+0⅛	10.29

Average price changes... On day +0⅛ on week +0⅛

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Aeroport Paris 6½ 91	60	95½	95⅞	+1	+1⅛	7.15
BFCE 6½ 91	100	95	95⅛	+0⅛	+1	7.24
Bayer Int. Fin. 5⅛ 92	100	91	91⅛	+0½	−0⅞	6.41
Belgelectric Fin 7⅛ 91	100	102⅞	103⅛	+0⅛	+0⅛	7.30
Bergen, City of 6⅛ 91	40	†100	100½	+0⅛	+0⅛	6.71
CECA 6⅛ 91	80	99	99⅛	+0½	+0⅛	6.87
Dome Petroleum 5⅞ 91	100	92⅛	92½	−0⅛	+1⅛	6.89
Dome Petroleum 7⅛ 90	100	103⅞	104⅛	+0⅛	+1	6.64
Elet. de France 5⅞ 90	100	87	87½	−0⅛	0	7.25
Eurofima 5⅞ 92	80	†93½	94	+0⅛	0	6.57
Finland, Rep. of 5⅞ 90	80	†89½	89⅞	+0⅛	+1⅞	7.27
Fran. Petroles 6½ 91	80	95	95½	+0⅞	+0⅛	7.21
Genstar 7 91	100	102½	102⅞	+0⅛	+0⅛	6.61
Int. Amer. Dv. Bk. 7 91	100	98⅞	99⅛	−0⅛	+0⅞	7.14
I/S Elsam 8⅛ 91	60	104⅞	104⅞	+0⅛	+0⅛	7.82
Japan Dev. Bank 5⅞ 90	100	96	96⅛	+0⅞	+5⅞	6.33
Mt. Blanc Tunnel 5⅞ 90	60	87½	88	0	−0⅛	7.45
Neder. Gasunie 8 91	100	106⅞	107⅛	+1⅛	+1⅞	6.99
OKB 7 93	100	99⅞	100⅛	+0⅞	0	6.99
Oslo, City of 8 91	100	105½	105⅞	+0⅛	+0⅛	7.19
Swed. Ex. Credit 7⅛ 91	75	97⅞	98⅛	+0⅛	+0⅞	7.55
Trade Dev. Fin. 6⅞ 90	50	†90	91	−0⅛	0	7.64
Voest-Alpine 5⅞ 90	80	88	88⅛	+0½	+1	7.82
World Bank 6 91	100	92⅛	93	+0⅛	+2⅛	7.07
World Bank 7 90	100	100⅛	100⅞	+0⅛	−0½	6.87
World Bank 8 91	100	105½	105⅞	+0⅛	+1	7.18

Average price changes... On day +0⅛ on week +0⅞

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev Bk. 8½ 91	15	99⅞	100⅛	+0⅛	+1⅛	8.22
Australia 6½ 88	20	89½	90⅛	0	+0⅛	8.60
EIB 7⅛ 89	12	97⅞	98⅛	+0⅛	+0⅛	8.12
Finland 6 8 88	10	90⅛	91⅛	+0⅛	0	8.76
Finland, Rep. of 8½ 87	15	99	100	+0⅛	+0⅛	8.47
New Zealand 8⅛ 87	15	100	101	+0⅛	0	8.24

Average price changes... On day +0⅛ on week +0⅛

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
CIBC 13½ 85 CS	50	†96½	97½	0	−0½	14.58
CIBC 11½ 85 CS	60	†92½	93½	0	−0½	14.03
Federal Dev. 11½ 90 CS	60	†83½	84½	+0½	+1½	14.87
Federal Dev. 17⅛ 86 CS	40	†106	107	0	0	15.72
Fst. Can. Inv. 10 84 CS	50	†89	90	0	0	15.37
GMAC (Can.) 15 87 CS	60	103½	104½	0	−0½	16.61
Tordom Cpn. 13½ 85 CS	30	†96½	97½	0	0	14.58
M Bk. Dnmk. 9 91 EUA	25	80½	82	0	+0⅛	12.37
SOFTE 8⅛ 89 EUA	40	78⅛	79½	0	+1⅛	12.83
U. Bk. Nwy. 9⅛ 90 EUA	18	88	89½	0	+1⅛	11.68
Algemene Bk. 10⅛ 86 Fl	60	97⅛	98⅛	+0⅛	+0⅛	10.63
Amfas Group 12⅛ 86 Fl	40	100½	101	+0⅛	+0⅛	12.03
Amro Bank 12 86 Fl	75	102	102½	−0⅛	−0⅛	11.30
Amro Bank 12 86 Fl	60	101	101½	+0⅛	+0⅛	11.64
Heineken NV 10 87 Fl	100	95	95⅛	+0⅛	+0⅞	11.12
Pierson 10⅛ 86 Fl	50	95⅞	95⅞	+0⅛	+0⅛	11.72
Rabobank 12 86 Fl	50	101⅛	101⅝	+0⅛	+0⅛	11.55
Air France 14⅛ 86 FFr	200	92	93	+0⅛	+0⅛	16.93
Bk. America 14⅛ 86 FFr	250	92⅞	93⅞	0	+0⅛	16.65
Charb'nages 13⅛ 85 FFr	400	91	92	+0⅛	+0⅛	16.94
EIB 14⅛ 88 FFr	300	88⅛	89⅛	+0⅛	+1	17.13
La Redoute 14½ 83 FFr	125	90⅞	91⅞	+0⅛	+0⅛	17.60
OKB 14 86 FFr	400	91⅛	92⅛	+0⅛	+0⅛	16.74
Solvay et C. 14⅛ 86 FFr	200	91⅛	92⅛	+0⅛	+0⅛	17.38
Swed. E. Cr. 14⅛ 86 FFr	250	91⅞	92⅞	+0⅞	+0⅞	17.26
U. Mex. Sts. 14 86 FFr	150	91⅛	92⅛	0	0	17.28
Acona 14 85 £	20	91⅛	92⅛	+0⅛	−0⅛	16.66
Beneficial 14⅛ 90 £	20	84⅛	85⅛	+0⅛	−0⅞	17.63
BNP 13⅛ 91 £	15	85⅞	86⅞	+0⅛	+0⅛	16.53
CECA 13½ 88 £	20	90⅛	91⅛	0	0	15.77
Citicorp O/S 13½ 90 £	50	90⅛	91⅛	0	+0⅛	15.43
Fin. Ex. Cred. 13⅛ 86 £	15	92⅞	93⅞	0	+0⅛	15.91
Gen. Elec. Co. 12⅛ 88 £	50	87⅞	88⅞	+0⅛	0	15.24
Hiram Walker 14⅛ 86 £	25	94½	95½	0	−0½	15.84
Privatbanken 14⅛ 88 £	12	93⅛	94⅛	0	+0⅛	16.11
J. Rothschild 14⅛ 90 £	12	94⅛	95⅛	0	+0⅛	15.34
Royal Trustco 14 86 £	12	94⅞	95⅞	0	+0⅛	15.72
Swed. Ex. Cr. 13⅛ 86 £	20	92½	93½	0	+0⅛	16.06
Akzo 9⅛ 87 LuxFr	500	86⅛	87⅛	0	−0⅛	12.55
Euratom 9⅛ 88 LuxFr	500	86⅛	87⅛	0	−0⅞	12.95
Eurofima 10½ 87 LuxFr	500	89⅞	90⅞	0	+0⅛	13.12
EIB 9⅛ 88 LuxFr	600	86⅛	87⅛	0	+1⅛	13.03
Volvo 9⅛ 87 LuxFr	500	85⅛	85⅞	0	+0⅛	13.25

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn	C.yld
Bank of Montreal 5⅛ 90	0⅛	99⅞	100⅛	18/12	16⅛	16.75
Bank of Montreal 5⅛ 91	0⅛	100⅛	100⅞	29/4	17.06	16.98
Bk. Nova Scotia 5⅛ 93	0⅛	100⅛	100⅞	29/4	17.02	16.93
BBL Int 5 86	0⅛	99⅞	100⅛	20/5	13⅛	13.40
BFCE 5⅛ 89	0⅛	100⅛	100⅞	26/4	16.94	16.85
Christiania Bk 5⅛ 91	§0⅛	99⅛	99⅞	5/2	15.50	15.52
Co-Bnk Eurofin 5½ 91	0⅛	98⅞	99⅛	14/4	16.63	16.53
Den Norske Credit 6 90	‡0⅛	99⅛	99⅞	5/2	15.56	15.66
Genfinance 5⅛ 87	0⅛	101	101½	20/4	17.06	16.85
Genfinance 5⅛ 92	0⅛	99⅛	100⅛	30/12	18.31	18.31
Giro und Bank 5⅛ 91	‡0⅛	99⅛	100	23/12	17⅛	17.64
GZB 5⅛ 92	§0⅛	99⅞	99⅞	5/12	17⅛	17.40
Ind. Bank Japan 5⅛ 83	0⅛	100⅛	100⅞	9/4	18⅛	16.52
Ind. Bank Japan 5⅛ 88	0⅛	99⅛	99⅞	9/5	13.21	13.20
Lloyds Eurofin 5⅛ 93	§0⅛	99	99⅛	4/12	17.44	17.57
Lloyds Eurofin 5⅛ 93	§0⅛	100⅛	100⅛	29/4	17.13	17.01
LTCB Japan 5⅛ 89	0⅛	99⅛	100	16/1	18.32	18.36
Midland Int. Fin. 5 91	0⅛	100½	101	30/4	17.05	16.94
National Fin. 5⅛ 93	0⅛	98⅞	99⅛	25/3	17.07	17.47
Nat. Bk. Canada 5⅛ 88	0⅛	100⅛	100⅞	24/3	17.31	17.23
Nat. West. Fin. 5⅛ 91	§0⅛	99½	100	15/1	18⅛	18.17
Nat. West. Fin. 5⅛ 92	§0⅛	100⅛	100⅛	23/4	17	16.92
Nordic Int. Fin. 5⅛ 91	0⅛	99⅛	99⅞	6/5	16⅛	15.70
Pemex 6 91	0⅛	98½	99	3/4	17	17.22
Pemex 5⅛ 89	0⅛	98½	99⅛	14/2	18.81	19.00
Sanwa Int. Fin 5⅛ 88	0⅛	100	100½	24/3	17⅛	17.21
Sec. Pacific 5⅛ 91	0⅛	99⅛	99⅞	24/5	13⅛	13.32
Societe Generale 5⅛ 91	0⅛	99⅞	100⅛	22/1	18⅛	18.65
Sparebanken 6 87	0⅛	99⅞	99⅞	19/12	16.81	16.96
Standard Chart 5⅛ 91	0⅛	98⅞	99⅛	18/5	13.31	13.43
Sumitomo Fin 5⅛ 88	0⅛	100⅛	101⅛	6/2	19.56	19.37

Average price changes... On day +0⅛ on week 0

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
Ajinomoto 5¼ 96	7/81	933	99	100½	−0½	1.29
Bow Valley Inv. 8 95	4/81	23.12	103⅛	105⅛	+1⅛	20.05
Canon 6⅛ 95	1/81	829	116⅛	118⅛	+3⅛	9.16
Daiwa Secs. 5½ 96	12/81	539	†86½	88½	+0½	5.87
Fujitsu Fanuc 4⅛ 96	10/81	6770	105⅛	107⅛	+4⅛	9.93
Furukawa Elec. 5⅛ 96	7/81	300	123⅛	125⅛	+0⅛	0.14
Hanson O/S Fin. 9⅛ 96	8/81	2.74	†88	89	−3	−8.13
Hitachi Cred. Cpn. 5 96	7/81	1966	101⅞	103⅛	+3	17.01
Inchcape 8 95	2/81	4.55	†64	65½	+0½	18.75
Kawasaki 5⅛ 96	9/81	229	86⅞	88⅛	+4⅛	10.23
Marui 6 96	7/81	931	107	108½	+3½	0.44
Matsushita El. 7½ 95	11/80	590	103	104⅛	+4⅛	5.23
Minolta Camera 5 96	10/81	909	80½	81⅛	+3⅛	9.33
Murata 5⅛ 96	7/81	2190	84½	86	+3	25.10
NKK 6⅛ 96	7/81	168	108⅛	109⅛	+11⅛	7.91
Nippon Chemi-C. 5 91	10/81	919	80	82	+1⅛	3.59
Ricoh 6⅛ 95	8/80	604	117⅛	119⅛	+2⅛	8.59
Sanyo Electric 5 96	10/81	652	84½	86	+1⅛	17.29
Sumitomo Met. 5⅛ 96	10/81	305	88½	90	+6⅛	10.29
Swiss Bk. Cpn. 6⅛ 90	9/80	200	†81	83	0	19.83
Taylor Woodrow 8⅛ 90	1/81	4.94	†80½	81½	0	−1.36
Transco Int. 8⅛ 96	2/81	68	†81½	83	−1	28.18
Tricorp 8½ 95	12/80	31.25	†76½	78	+0½	39.95
Union Bk. Switz. 5 89	2/80	70.79	†89½	90½	0	9.85
Sharp Cpn. 6½ 88 DM	9/80	591.8	174⅛	175⅛	+2⅛	7.22
Uny Co. 6½ 85 DM	11/79	879.3	105⅛	106⅛	+0⅛	−0.10

EUROBOND TURNOVER

(nominal value in $m)

	Cedel	Euro-clear
U.S. $ bonds		
Last week	6,679.9	8,962.9
Previous week	2,963.0	6,551.1
Other bonds		
Last week	925.0	630.2
Previous week	786.8	623.0

* No information available—previous day's price.

† Only one market maker supplied a price.

STRAIGHT BONDS: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (‡ three-month; § above mean rate) for U.S. dollars. C.cpn = The current coupon. C.yld = The current yield.

CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv. date=First date for conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

The list shows the 200 latest international bonds for which an adequate secondary market exists. The prices over the past week were supplied by: Kredietbank NV; Credit Commercial de France; Credit Lyonnais; Commerzbank AG; Deutsche Bank AG; Westdeutsche Landesbank Girozentrale; Banque Generale du Luxembourg SA; Banque Internationale Luxembourg; Kredietbank Luxembourg; Algemene Bank Nederland NV; Pierson, Heldring and Pierson; Credit Suisse/Swiss Credit Bank; Union Bank of Switzerland; Akroyd and Smithers; Bankers Trust International; Credit Commercial de France (Securities) London; Citicorp International Bank; Daiwa Europe NV; Deltec Securities (UK); EBC; First Chicago; Goldman Sachs International Corporation; Hambros Bank; IBJ International; Kidder Peabody International; Manufacturers Hanover; Merrill Lynch; Morgan Stanley International; Nikko Securities Company (Europe); Orion Bank; Salomon Brothers International; Samuel Montagu and Co.; Scandinavian Bank; Societe Generale Strauss Turnbull; Sumitomo Finance International; S. G. Warburg and Co.; Wood Gundy.

Closing prices on December 4

APPOINTMENTS

New chairman for Yorkshire Television

Mr Derek Palmar is to be chairman of YORKSHIRE TELEVISION from January 1. He will succeed Sir Richard Graham, who has been chairman since the birth of the company in 1967. Sir Richard is retiring at his own request. He will be 70 next May, and he will continue as a member of the Yorkshire board until then. Mr Palmar is chairman and chief executive of Bass, the brewing and leisure group which holds 25 per cent of the equity in Yorkshire Television. They are, with Pearson Longman, the largest shareholders in the company. Yorkshire Television's franchise for the Yorkshire area begins on January 1, 1982. Mr James Lee, deputy chairman and chief executive of Pearson Longman, will be deputy chairman of Yorkshire Television.

★

Mr R. P. St G. Cazalet and Mr R. N. Young have been elected deputy chairmen of THE ASSOCIATION OF INVESTMENT TRUST COMPANIES. Mr Cazalet is chairman of Henderson Administration, and Mr Young is a director of Kleinwort Benson. Mr M. R. Cornwall-Jones, deputy chairman of John Govett and Co., has been appointed chairman of the publicity and information committee of the Association.

★

Mr J. P. Davidson, chairman, Clyde Port Authority, has been appointed to the board of the IRON TRADES INSURANCE GROUP.

★

MAVIL has promoted Mr Jeff Wilkins from sales and marketing manager to sales director.

★

CROWN LIFE has promoted Mr Andrew Withey to director of investment.

★

Mr Michael Barnfield and Mr Cyrille Gistelinck have been appointed to the board of FENCHURCH GROUP INTERNATIONAL and Mr Frank de Maere is to be alternate director to Mr C. Gistelinck on the board.

★

Mr T. J. Kemp has been appointed the underwriter of Lloyd's Marine Syndicate 725 in succession to Mr T. W. Higgins, who becomes chairman of LANGTON UNDERWRITING AGENTS. Mr M. J. Langton has been appointed chairman of Leslie Langton Holdings.

★

AIG Risk Management Inc. has opened up an office in London. It is a subsidiary company of American International Group. Mr David Batchelor has been appointed assistant vice president and manager of the UK office. Mr Roy Childs has been appointed assistant manager.

★

Mr H. C. Holmes has been appointed to the board of the MOUNTHAVEN GROUP, which includes Bull Holmes (Management), of which he is chairman.

★

Mr Peter Turner has been appointed a director of CAPPER NEILL INDUSTRIAL PRODUCTS.

★

NORTON TELECOMMUNICATIONS, part of the Norton Holdings group, has appointed Mr Terry Spooner as works director and Mr Roger White as sales director.

★

On January 1, Mr L. S. Ager and Mr P. J. A. Mallaby will join the board of MARTINI AND ROSSI. Mr Ager, general manager of Martini and Rossi Southampton plant, is to be appointed production director, and Mr Mallaby, group sales manager, appointed sales director. M Henri de Castellane, directeur generale of the French cognac house Gaston de Lagrange, a subsidiary of Martini and Rossi SAF, will also join the board of Martini and Rossi as a non-executive director, from January 1.

★

INBUCON MANAGEMENT CONSULTANTS has appointed Mr Barry McAdam director of its telecoms division. He was formerly managing director of Telecom Systems.

★

Ms Carol Trevellick has been appointed administration director for EAGLE INTERNATIONAL.

★

Mr Francis Perkins has been elected chairman of the INSURANCE BROKERS REGISTRATION COUNCIL.

★

Following the increase by Northern Foods of its investment in Avana Group to 20.5 per cent of the issued ordinary capital of that company, Mr Christopher Haskins, deputy chairman of Northern is joining the board of AVANA as its representative. Dr John Randall, chairman of Avana, joins the board of NORTHERN FOODS as a non-executive director.

★

Baron Lyssardt von Hoyningen-Huene has been appointed a director of DAVID ALLSOPP AND ASSOCIATES, investment bankers. He is a vice-president of Interamerican Bank Corporation, Nassau.

★

Mr Peter F. Hutton has been appointed adviser to FIRST COMMERCIAL BANK at the London representative office.

★

Mr Harold Quitman has been appointed non-executive chairman of KANE INVESTMENTS an associate company of the Phoenix Mining and Finance. Mr Michael Allen becomes company secretary of the Phoenix Mining and Finance.

★

Following the acquisition of A. BRICK AND CO in Brighton, Mr Gerald Miller has been appointed managing director. He succeeds Mr Harvey Leff, who becomes a consultant to the company. Mr Nigel Barton and Mr Brian Miller have also been appointed to the board. In Manchester, Mr Joe Collins has been appointed managing director designate at WILLIAM POINTER, to succeed Mr Eric Thomson who is due to retire. Mr Raymond Pritchard, formerly chief accountant, has also been made a director. Mr Stephen Hartley has been appointed director in charge of the Leeds plant of MULTIGLASS and succeeds Mr Edwin Murphy who retires in early 1982. The companies are members of the Aygee Group.

★

Mr Gordon W. Hodgson has been appointed to the board of T. COWIE as financial director.

★

Mr Stuart M. Webster, general manager. The Gulf Bank KSC, Kuwait, and Mr Hans P. Holinger, general manager, Interallianz Bank Zürich AG, Zürich, have been appointed non-executive directors of BATEMAN EICHLER HILL RICHARDS INTERNATIONAL.

PENDING DIVIDENDS

Dates when some of the more important company dividend statements may be expected in the next few weeks are given in the following table. The dates shown are those of last year's announcements, except where the forthcoming board meetings (indicated thus*) have been officially published. It should be emphasised that dividends to be declared will not necessarily be at the amounts in the column headed "Announcement last year."

	Date	Announcement last year		Date	Announcement last year
*AE	Dec 17	Final 7.82857	Kenning Motor	Jan 14	Final 3.75
Assoc. Cmmnctns	Dec 18	Int. 1.5	LRC Intl	Dec 15	Int. 0.7
Assoc. Newspapers	Jan 9	Final 5.9	*Linfood	Dec 8	Int. 3.5
Assoc. Paper Inds	Jan 15	Final 0.79	Magnet and Southerns	Jan 14	Int. 2.0
*Avon Rubber	Dec 9	Final 1.0	*Marley	Dec 16	Final 1.25
*BOC	Dec 14	Final 2.52	*Meyer (M. L.)	Dec 8	Int. 1.75
*Baker Perkins	Dec 11	Int. 2.1	*NatWest	Feb 23	Final 12.25
*Bass	Dec 8	Final 6.3	*Norcros	Dec 11	Int. 1.96
Berisford (S. and W.)	Jan 15	Final 6.5	*Northern Foods	Dec 15	Final 3.5§
*Brit. Bldg. and Eng. App.	Dec 10	Int. 1.0	*Pegler-Hattersley	Dec 9	Int. 4
BET	Jan 15	Int. 1.863	*Philips' Lamps	Dec 8	Int. 0.60
*Brown (Matthew)	Dec 8	Final 4.435	Ratners (Jewellers)	Jan 12	Int. 0.67
City of Lond. Trust	Jan 9	Sec. int. 1.1	Raybeck	Jan 9	Int. 1.131
*Coalite	Dec 8	Int. 1.36	SGB	Jan 13	Final 3.0
Daily Mail and Gen. Trust	Jan 9	Final 16.5	*Saatchi and Saatchi	Dec 10	Final 3.36
*Distillers	Dec 17	Int. 3.0	Samuel (H.)	Jan 8	Int. 1.5
Dixons Photo	Jan 15	Int. 1.312	Scottish and New. Brews	Dec 22	Int. 1.5
Dobson Park	Dec 9	Final 3.31	*Stenhouse	Dec 16	Final 2.83
*English China Clays	Dec 17	Final 3.5	Thorn EMI	Jan 9	Int. 4.05
Grand Met.	Jan 15	Final 3.75	*Trafalgar House	Dec 7	Final 2.85
*Guinness (A.)	Dec 15	Final 3.325	Unigate	Dec 18	Int. 2.2
Hickson and Welch	Jan 8	Final 5.0	United Scientific	Dec 18	Final 3.0
ICL	Dec 11	Final 2.025	*Westland	Dec 9	Final 3.5
*IC Gas	Dec 8	Int. 2.7	*Wolv. and Dudley Brews	Dec 8	Final 3.5
*Initial Services	Dec 7	Int. 2.75	*Woodhead (Jonas)	Dec 10	Int. due
*Intnl. Timber	Dec 8	Int. 2.0			

* Board meeting intimated. † Rights issue since made. ‡ Tax free. § Scrip issue since made. ¶ Forecast.

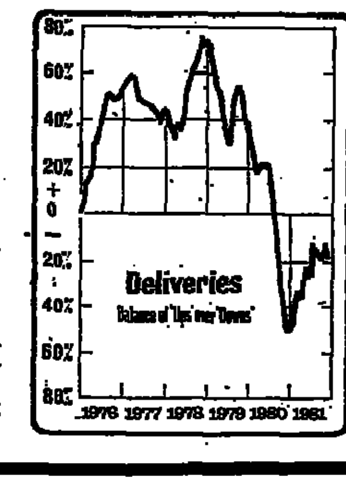
FT Monthly Survey of Business Opinion

GENERAL OUTLOOK

Small rise in confidence

INDUSTRY'S confidence increased slightly last month, with the index of general business opinion regaining some of the ground lost in the previous two months.

Of the three sectors interviewed last month—building and construction, food and tobacco and textiles and clothing—the first two were more inclined towards optimism than when last surveyed in July. All three areas however remain pessimistic about overall prospects, and the index is still some way below the more buoyant levels of earlier in the year.



Some building companies detected signs of recovery either in their own sales figures or in the UK economy. Falling interest rates were also cited.

Food and tobacco companies could also see "light at the end of the tunnel" after the bottoming out of the recession.

However, there were doubts about the low level of consumer spending and continued disappointing sales figures.

The index measuring optimism about the British economy also improved last month.

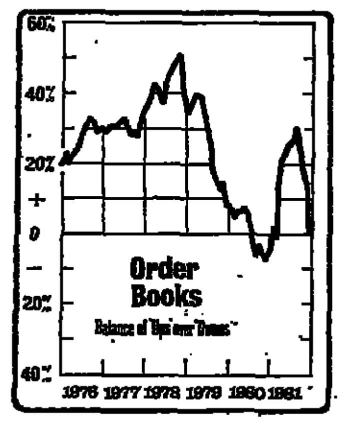
ORDERS AND OUTPUT

Demand still sluggish

ORDERS and output are continuing at very sluggish levels, underlining that the recovery from the worst point of the recession is still highly subdued.

The index measuring the recent trend of deliveries fell last month, mainly depressed by the building and food sectors. Falls in disposable income, tax increases and high unemployment were all held to be depressing sales.

Clothing and textile companies complained of lack of demand and world-wide excess capacity.



New orders also fell back last month and have been little changed on balance since the middle of the year. The doldrums in the furniture trade were mentioned as a factor slowing the recovery in building.

All three sectors were more inclined to expect their order books to become smaller over the next 12 months. This means that now as many companies are forecasting falls in orders as are expecting increases.

The three sectors also uniformly forecast smaller increases in production or sales than when last asked in July.

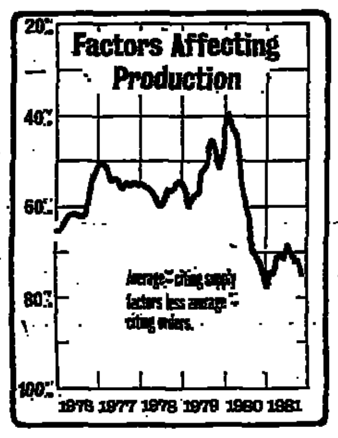
CAPACITY AND STOCKS

More de-stocking ahead

HOPES for a further stimulus to the economy from restocking seem to be evaporating following pessimistic answers to last month's inquiries about companies' inventory levels.

The food and textile sectors were more inclined to expect stocks to decrease than when last quizzed in July while the attitude of building firms was unchanged.

All three sectors also leaned more in the direction of classifying stock levels as too high, and none said that they were too low. The index for the level of



stocks thus moved up again, and has now been on a rising trend for the past four months.

The index measuring capacity usage was little changed. The food and tobacco group was however slightly more inclined than when asked in July to report low-capacity working.

The number of firms reporting fixed assets remaining unused rose again.

All three sectors were more inclined to mention demand factors as depressants on production.

CAPACITY WORKING

	4 monthly moving total				November 1981		
Are you working at your planned output level for this time of year?	Aug.-Nov. %	July-Oct. %	June-Sept. %	May-Aug. %	Cnstrctn. & Bldg. %	Food & Tobacco %	Textiles & Clothing %
Above target capacity	3	3	3	6	—	—	4
On target	44	46	41	46	37	61	87
Below target capacity	52	48	53	45	63	39	9
No answer	1	3	3	3	—	—	—

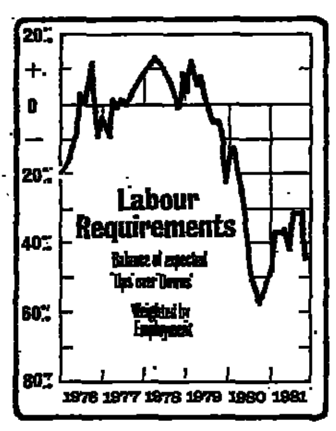
INVESTMENT AND LABOUR

More job cuts forecast

THE INDEX measuring employers' views on employment prospects showed little change, with the number of companies expecting workforce cuts still heavily outweighing those expecting to recruit staff.

All three sectors were more inclined to cite a lack of present or forecast demand as the main factor discouraging any build-up in their labour forces.

Companies refer to the possibility of increasing output through increases in productivity and overtime rather than



through taking on fresh staff.

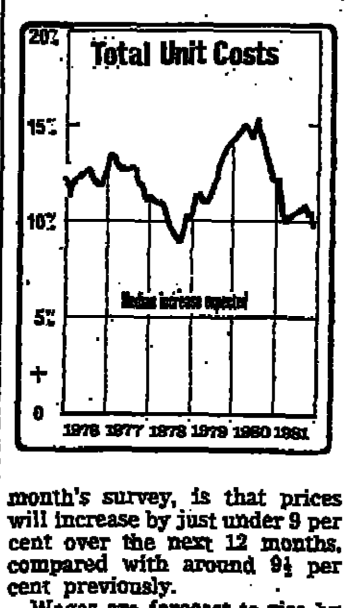
Companies showed a further slight tendency towards expecting lower capital expenditure over the next 12 omnths.

The amount of investment deployed abroad is expected to rise slightly. Liquidity levels are improving slightly, with the food and tobacco sector in particular reporting high liquidity levels. The building sector however was more inclined to say that it required more outside finance for capital spending in the next 12 months.

COSTS AND PROFIT MARGINS

Downward inflation drift

INFLATIONARY pressures on industry continue to abate, in line with the rather depressed economic outlook. The general expectation, according to last



month's survey, is that prices will increase by just under 9 per cent over the next 12 months, compared with around 9½ per cent previously.

Wages are forecast to rise by just under 8 per cent, unchanged from the previous survey. The overall index for the expected increase in unit costs showed a further fall, to around 9½ per cent from 10½ per cent.

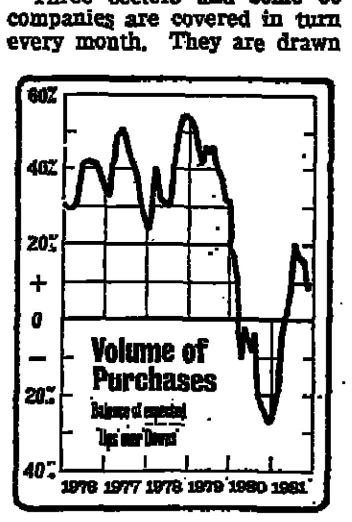
Companies felt they were in a strong position to resist excess wage demands.

All three sectors were more optimistic about improving their profit margins over the next 12 months than they had been in July. Companies hoped that margins would improve as a result of greater efficiency and productivity, higher volumes, fewer employees and cost-cutting measures. The profit margin index has now recovered ground rapidly since the end of last year.

The all-industry figures are four month moving totals covering some 120 companies in the FT Actuaries' Index, which accounts for about 80 per cent of all public companies.

These surveys, which are carried out for the Financial Times by the Taylor Nelson Group, are based upon extensive interviews with top executives.

Three sectors and some 30 companies are covered in turn every month. They are drawn



from a sample based upon the 11 industrial sectors (mechanical engineering is surveyed every second month).

Complete tables can be purchased from Taylor Nelson and Associates.

GENERAL BUSINESS

	4 monthly moving total				November 1981		
Are you more or less optimistic about your company's prospects than you were four months ago?	Aug.-Nov. %	July-Oct. %	June-Sept. %	May-Aug. %	Cnstrctn. & Bldg. %	Food & Tobacco %	Textiles & Clothing %
More optimistic	28	21	26	37	50	51	24
Neutral	54	58	50	44	27	49	47
Less optimistic	19	22	24	19	24	—	29

EXPORT PROSPECTS (Weighted by exports)

	4 monthly moving total				November 1981		
Over the next 12 months exports will be:	Aug.-Nov. %	July-Oct. %	June-Sept. %	May-Aug. %	Cnstrctn. & Bldg. %	Food & Tobacco %	Textiles & Clothing %
Higher	62	66	59	60	36	44	41
Same	23	21	25	20	36	29	31
Lower	13	11	15	19	27	27	28
No answer	2	2	1	1	—	—	—

NEW ORDERS

	4 monthly moving total				November 1981		
The trend of new orders in the last four months was:	Aug.-Nov. %	July-Oct. %	June-Sept. %	May-Aug. %	Cnstrctn. & Bldg. %	Food & Tobacco %	Textiles & Clothing %
Up	15	24	22	27	4	3	42
Same	41	41	34	30	43	43	30
Down	24	23	28	25	53	—	28
No answer	20	11	15	17	—	55	—

PRODUCTION/SALES TURNOVER

	4 monthly moving total				November 1981		
Those expecting production/sales turnover in the next 12 months:	Aug.-Nov. %	July-Oct. %	June-Sept. %	May-Aug. %	Cnstrctn. & Bldg. %	Food & Tobacco %	Textiles & Clothing %
Rise over 20%	1	2	2	2	—	—	—
Rise 15-19%	2	1	1	—	—	—	—
Rise 10-14%	7	9	7	10	—	—	22
Rise 5-9%	22	26	26	24	27	24	—
Rise 2.5-4%	20	21	25	30	27	24	38
Remain the same	31	28	22	18	44	33	1
Fall 2.5-4%	8	7	6	3	3	—	39
Fall 5-9%	5	3	5	5	—	12	—
No answer	4	4	7	7	—	—	—

STOCKS

	4 monthly moving total				November 1981		
Raw materials and components over the next 12 months will:	Aug.-Nov. %	July-Oct. %	June-Sept. %	May-Aug. %	Cnstrctn. & Bldg. %	Food & Tobacco %	Textiles & Clothing %
Increase	25	27	25	36	50	21	—
Remain the same	51	55	59	45	44	55	43
Decrease	21	14	14	16	7	24	57
No answer	3	4	3	3	—	—	—
Manufactured goods over the next 12 months will:							
Increase	17	26	28	34	13	6	19
Remain the same	50	41	41	32	67	79	20
Decrease	19	16	14	16	7	3	57
No answer	7	5	3	4	—	12	—
Not applicable	8	12	14	14	13	—	4

FACTORS CURRENTLY AFFECTING PRODUCTION

	4 monthly moving total				November 1981		
Don't know Are any of the following factors limiting you output at present?	Aug.-Nov. %	July-Oct. %	June-Sept. %	May-Aug. %	Cnstrctn. & Bldg. %	Food & Tobacco %	Textiles & Clothing %
Home orders	94	91	90	86	97	76	100
Export orders	63	62	63	63	73	39	76
Executive staff	2	1	2	4	—	—	38
Skilled factory staff	3	3	3	—	—	—	—
Manual labour	—	—	1	1	—	—	—
Components	1	1	—	1	—	—	—
Raw materials	1	3	3	6	—	—	—
Production capacity (plant)	3	4	4	5	—	12	—
Finance	1	1	1	1	—	—	—
Labour disputes	1	3	3	5	—	—	—
Others	14	16	16	16	16	6	1
No factors	5	4	4	7	—	24	—

LABOUR REQUIREMENTS (Weighted by employment)

	4 monthly moving total				November 1981		
Those expecting their labour force over the next 12 months to:	Aug.-Nov. %	July-Oct. %	June-Sept. %	May-Aug. %	Cnstrctn. & Bldg. %	Food & Tobacco %	Textiles & Clothing %
Increase	8	7	12	13	12	19	5
Stay about the same	44	44	45	43	54	13	78
Decrease	48	49	43	44	34	68	17

CAPITAL INVESTMENT (Weighted by capital expenditure)

	4 monthly moving total				November 1981		
Those expecting capital expenditure over the next 12 months to:	Aug.-Nov. %	July-Oct. %	June-Sept. %	May-Aug. %	Cnstrctn. & Bldg. %	Food & Tobacco %	Textiles & Clothing %
Increase in volume	23	23	20	22	—	41	7
Increase in value but not in volume	12	13	14	12	14	24	—
Stay about the same	19	19	25	27	55	24	43
Decrease	43	41	35	33	27	11	49
No answer	3	4	6	6	3	—	—

COSTS

	4 monthly moving total				November 1981		
Wages rise by:	Aug.-Nov. %	July-Oct. %	June-Sept. %	May-Aug. %	Cnstrctn. & Bldg. %	Food & Tobacco %	Textiles & Clothing %
0-4%	4	3	2	—	—	—	47
5-9%	67	71	66	57	73	67	34
10-14%	17	16	23	35	14	33	19
Remain the same	2	2	2	—	—	—	—
No answer	10	9	7	8	13	—	—
Unit costs rise by:							
0-4%	3	7	6	5	7	—	9
5-9%	33	28	29	27	40	43	89
10-14%	30	35	37	36	14	33	1
15-19%	7	9	5	6	—	—	—
20–24%	—	—	—	1	—	—	—
Remain the same	3	1	—	—	13	—	—
Decrease	2	2	2	—	—	—	—
No answer	23	18	21	24	27	24	1

PROFIT MARGINS

	4 monthly moving total				November 1981		
Those expecting profit margins over the next 12 months to:	Aug.-Nov. %	July-Oct. %	June-Sept. %	May-Aug. %	Cnstrctn. & Bldg. %	Food & Tobacco %	Textiles & Clothing %
Improve	48	44	45	40	40	67	81
Remain the same	39	35	31	31	60	30	9
Contract	7	11	14	20	—	3	10
No comment	6	10	10	9	—	—	—

A copy of this document has been delivered to the Registrar of Companies for registration. Application has been made to the Council of The Stock Exchange in London for the share capital of Newmarket Company (1981) Limited (the "Company"), issued and to be issued, to be admitted to the Official List.
The application list for the Shares now being offered will open at 10.00 a.m. on Thursday, 10th December, 1981 and may be closed at any time thereafter. This issue has been underwritten through Cazenove & Co. The Directors of the Company have been informed that firm applications will be made for 3,250,000 Shares, which applications will be accepted in full. The procedure for application is set out at the end of this document.

Newmarket Company (1981) Limited

(Incorporated with limited liability under the laws of the Islands of Bermuda)

Issue to the public of 6,500,000 Shares of U.S.$0.05 each at U.S.$5.90 per Share, or at £3.05 per Share, payable in full on application.

SUMMARY

The information set out below should be read in conjunction with the information contained elsewhere in this document.

BUSINESS
The Group invests in venture capital projects mainly in the United States of America and currently has a portfolio of 11 investments. Suitable opportunities are now also being sought in the United Kingdom. The projects tend to be involved with electronic and computer technology, medical products and bio-technology and by their nature carry high risks.
The principal aim is capital appreciation and accordingly dividends paid by the Company are likely to be small.

RECORD
Since 1972 some U.S. $3.5 million has been subscribed to the venture capital investment programme and at 30th June, 1981 the net value of the Group's investments was approximately U.S. $40 million. During the same period the adjusted net asset value per Share increased from U.S. $0.50 to U.S. $5.66.
The most successful investments of the Group so far have been in Evans & Sutherland Computer Corporation and Apple Computer Inc., both of which are now quoted companies. The Company's 13.7 per cent. shareholding in Evans & Sutherland Computer Corporation was valued at U.S. $36.05 million as at 25th November, 1981 representing 47 per cent. of the Group's net assets adjusted for the issue.

PROCEEDS OF THE ISSUE
From the net proceeds of the issue amounting to U.S. $36 million, approximately U.S. $11.5 million is committed for specific purposes, with the balance of U.S. $24.5 million being available to fund an investment programme for the next three to five years.

STATISTICS

Issue Price:	U.S. $5.90
Net Asset Value per Share as at 25th November, 1981:	U.S. $5.90
Net Assets of the Group as at 25th November, 1981 (adjusted for the issue):	U.S. $76.5 million

GROUP STRUCTURE

NEWMARKET COMPANY (1981) LIMITED
Investments
Evans & Sutherland Computer Corporation — U.S. $36.05 million
Three other holdings — U.S. $0.58 million
Proposed investment
Advanced Technology Ventures—Bermuda — U.S. $6.0 million
Funds for investment — U.S. $24.5 million

90 per cent.

NEWCASTLE COMPANY LIMITED
Investments
Apple Computer Inc. — U.S. $1.84 million
Five other holdings — U.S. $0.90 million
Funds for investment — U.S. $7.0 million

100 per cent.

NEWMARKET (VENTURE CAPITAL) LIMITED
Investment
One holding — U.S. $387,000

66⅔ per cent.

NEW CAMBRIDGE RESEARCH COMPANY LIMITED
Funds for research — U.S. $250,000

SHARE CAPITAL

Authorised		Issued and now being issued
U.S. $750,000	in 15,000,000 Shares of U.S. $0.05 each	U.S. $667,882

The 6,500,000 Shares now being issued will, after the last date for registration of renunciations, be in registered form and will rank *pari passu* in all respects with the existing issued 6,857,640 Shares of the Company. In particular, the new Shares will rank in full for all dividends and other distributions hereafter declared, made or paid on the share capital of the Company.

INDEBTEDNESS

Apart from intra-group transactions, neither the Company nor any subsidiary has any loan capital (including term loans) outstanding, or created but unissued, nor any outstanding mortgages, charges or other borrowings or indebtedness in the nature of borrowings, including bank overdrafts and liabilities under acceptances or acceptance credits or hire-purchase commitments, or guarantees or other material contingent liabilities.

BOARD OF DIRECTORS

Alan Brodie Henderson *(Chairman and President)* (British)
71 Great Peter Street, London SW1P 2BN.
Peter Geoffrey Brealey (British)
P&O Building (2nd Floor), 122 Leadenhall Street, London EC3V 4QR.
John Douglas Campbell *(Secretary)* (British)
Reid House, Church Street, Hamilton 5, Bermuda.
Leslie Breckenridge (British)
Newnham, Church Bay, Southampton, Bermuda.
Chilion Frank Graves Heward (Canadian)
C.I.L. House, 620 Dorchester Boulevard, Montreal, Canada.
Ian Hilton (British)
Reid House, Church Street, Hamilton 5, Bermuda.
John Richard Talbot (British)
Bank of Butterfield Building, Front Street, Hamilton 5, Bermuda.
John Patrick Smith (British)
20 Lincoln's Inn Fields, London WC2A 3ES.
Peter John Smith (British)
12 Tokenhouse Yard, London EC2R 7AN.
David Michael Wentworth-Stanley (British)
67 Wall Street, New York, NY 10005, U.S.A.
Benjamin Harold Bourchier Wrey (British)
11 Austin Friars, London EC2N 2ED.

CONSULTANT
Graham Paul Ledeboer, D.F.C. (British) *(alternate director for P.J. Smith)*
14 King Street, London EC2V 8EA.

Secretary and Registered Office
J. D. Campbell *(Barrister and Attorney)*,
Reid House, Church Street, Hamilton 5, Bermuda.
Auditors and Reporting Accountants
Coopers & Lybrand *(Chartered Accountants)*,
P.O. Box 1171, Dorchester House, Hamilton 5, Bermuda.
Registrars and Bermuda Transfer Agent
The Bank of Butterfield Executor & Trustee Company Limited,
P.O. Box 1735, Hamilton 5, Bermuda.
London Transfer Agent
C. N. Services Limited, 14 King Street, London EC2V 8EA.
Bankers in Bermuda
The Bank of N. T. Butterfield & Son Limited,
P.O. Box 195, Hamilton 5, Bermuda.
Bankers in New York
Canadian Imperial Bank of Commerce,
22 William Street, New York, NY 10005, U.S.A.
Receiving Bankers
Barclays Bank Limited, New Issues Department,
P.O. Box 123, 2 London Wall Buildings, London Wall, London EC2P 2BU.
Legal Advisers
To the Company in Bermuda
Appleby, Spurling & Kempe, Reid House, Church Street, Hamilton 5, Bermuda.
To the Company in London
Slaughter and May, 35 Basinghall Street, London EC2V 5DB.
To the Issue
Linklaters & Paines,
Barrington House, 59-67 Gresham Street, London EC2V 7JA.
Stockbrokers
Cazenove & Co., 12 Tokenhouse Yard, London EC2R 7AN
and at The Stock Exchange.

This document includes particulars given in compliance with the Regulations of the Council of The Stock Exchange for the purpose of giving information with regard to the Company. The Directors of the Company have taken all reasonable care to ensure that the facts stated herein are true and accurate in all material respects and that there are no other material facts the omission of which would make misleading any statement herein, whether of fact or opinion. All the Directors accept responsibility accordingly.

No person receiving a copy of this document and/or an Application Form in any territory other than Great Britain may treat the same as constituting an invitation to him, nor should he in any event use such Application Form unless in the relevant territory such an invitation could lawfully be made to him or such Application Form could lawfully be used without compliance with any further registration or other legal requirements. It is the responsibility of any person outside Great Britain wishing to make an application hereunder to satisfy himself as to full observance of the laws of the relevant territory in connection therewith, including obtaining any governmental or other consents which may be required or observing any other formalities needing to be observed in such territory.

The Shares are not being registered under the United States Securities Act of 1933 and may not be subscribed, directly or indirectly, by nationals or residents of the United States of America.

In this document references to the "Group" are to Newmarket Company (1981) Limited, Newcastle Company Limited, Newmarket (Venture Capital) Limited and New Cambridge Research Company Limited collectively, references to "U. S. dollars", "U.S.$" and "$" are to the lawful currency of the United States of America, references to "Bda $" are to Bermudian dollars and references to "£" are to pounds sterling.

NEWMARKET COMPANY (1981) LIMITED

Introduction

The Group invests in new or recently formed companies created to develop innovative products or services on a commercial scale. Because of the nature and risks of such enterprises, these investments are usually described as "venture capital". The Group's history dates from 1972 when a venture capital investment programme in the United States was begun. Approximately U.S.$3.5 million has been subscribed to this programme and at 30th June, 1981 the net value of the Group's investments was approximately U.S.$40 million. The structure and operations of the Group have now been reorganised to faciliate its future investment programme in the United States, to broaden its future activities to include the United Kingdom and to enable this issue to take place.

The table set out under "Investment Record" below illustrates the varied experience and degree of risk and reward associated with venture capital investment and provides a case history of such investment. It will be seen that the Group's success to date has been substantially attributable to two investments, Evans & Sutherland Computer Corporation and Apple Computer Inc. and that following this issue the Company's holding in Evans & Sutherland Computer Corporation will represent approximately 47 per cent. of the Group's net assets attributable to shareholders. The Group's present portfolio also contains recent investments in companies still at an early stage of development which have replaced investments disposed of principally through merger or acquisition. The present disproportion in value between the investments is in the nature of a venture capital portfolio and, whilst every effort will be made to replenish the portfolio with fresh venture capital opportunities, it is not the Board's policy to balance the portfolio by equalising the value of each investment.

The Board intends to use the proceeds of the issue to continue the Group's programme of venture capital investment and to finance the acquisition of assets from the Company's subsidiary, Newcastle Company Limited ("Newcastle") which makes venture capital investments principally in the United States. In addition, it is proposed that an investment will be made in Advanced Technology Ventures-Bermuda ("AT-Bermuda"), a new partnership to be formed in Bermuda also specialising in venture capital investment in the United States. Capital will also be provided for the Company's recently formed subsidiaries in the United Kingdom, Newmarket (Venture Capital) Limited ("Newmarket Venture Capital"), which will concentrate exclusively on venture capital investments in the United Kingdom, and New Cambridge Research Company Limited ("New Cambridge"), which will initiate and finance research into new projects in the United Kingdom. The balance of the proceeds will be retained by the Company for its own investment programme and to finance any expansion of the investment programmes of its subsidiaries. The capital to be raised by the issue should satisfy the Group's requirements for the next three to five years. The necessity to have funds immediately available for investment opportunities and to support existing investments requires that these funds should be raised in advance.

The Board is responsible for the Company's investment policy. The Company does not employ any full-time management and its investment policy is carried out in co-operation or participation with other venture capital groups and with the benefit of advice of special advisers in the United States and the United Kingdom. In particular, certain of Newcastle's investments may be made in conjunction with Venrock Associates ("Venrock"), a limited partnership resident in the United States. As a result of this method of operation, the Group's expenses mainly consist of contributions to other venture capital groups' expenses and fees to advisers and consultants. Although uncommon, the past record of the Group indicates that this method of operation has been successful.

The success of the Company's policy will be reflected in the growth in capital value of its investments. The period necessary for the successful development of an individual venture can vary considerably, but five to ten years may be a reasonable timespan. The time taken for a successful investment to mature and the amount of the resulting capital gain will depend on the timing of the Group's investment during this development period. Although surplus income will be distributed as dividend, this is likely to be small. The nature of venture capital investments and the practice of disposing of investments as they mature make it unlikely that a consistent level of dividend payments will be maintained.

Venture capital investment involves high risks and these are described below.

The Group

The Company

The Company was incorporated in Bermuda on 13th March, 1981 as a closed-ended investment company. On 27th November, 1981 it acquired all the share capital of Newcastle (formerly named Newmarket Company Limited). The acquisition was effected by means of an exchange of shares with the result that the former shareholders of Newcastle (The Mercantile Investment Trust p.l.c., Witan Investment Company p.l.c., Equity & Law Life Assurance Society, Limited and Frobisher Fund N.V.) received Shares in the Company and Newcastle became a subsidiary of the Company. Following the acquisition, certain of Newcastle's assets were sold to the Company and to Newmarket Venture Capital for cash (which is to be provided out of the proceeds of the issue). The Company has also subscribed shares in Newmarket Venture Capital and New Cambridge.

Newcastle

Newcastle was incorporated as an open-ended company in Bermuda in 1972 under the name of Newmarket Company Limited to make venture capital investments in the United States. Newcastle has made a number of investments in conjunction with Venrock and in 1979 it was agreed that Venrock should be given an opportunity of participating in the gains accruing from the investments which Venrock subsequently introduced to Newcastle. It was therefore decided that these investments would be held through Newcastle, the remainder being transferred to the Company and Newmarket Venture Capital, and that Venrock would be granted an option to subscribe shares in Newcastle at par. The exercise of this option is linked to the performance of the investments introduced by Venrock to Newcastle since 15th February, 1979.

Under the terms of the option agreement, formalised in an exchange of letters dated 27th November, 1981, the maximum number of shares in Newcastle which Venrock is permitted to subscribe at par is 54,861. To date, Venrock has subscribed 38,098 shares under the option, its rights to subscribe the remaining 16,763 shares being conditional upon the net asset value of Newcastle reaching a prescribed level. The remaining 342,882 issued shares in Newcastle are owned by the Company. Newcastle has no present intention of granting further options over its share capital or issuing further shares nor has the Company any present intention of redeeming any part of its holding.

Venrock was organised to invest in small innovative enterprises. The partnership was formed in 1969 and re-capitalised in 1978 to continue an established Rockefeller family programme for the provision of venture capital which now has over 40 years of investment experience. A personal relationship has been established between some members of the Board of Directors of the Company and some partners in Venrock, which has resulted in participations by Newcastle with Venrock and other investors in private subscriptions of capital to a number of U.S. companies. The Directors of the Company hope that Newcastle will be able to participate in future venture capital projects in which Venrock may be interested. However there can be no assurance on this because, apart from Venrock's shareholding in Newcastle and the exchange of letters referred to above, there is no legal connection with Venrock, and Venrock is under no obligation to inform Newcastle of available opportunities in the venture capital field.

Newmarket Venture Capital

Newmarket Venture Capital, a wholly-owned subsidiary of the Company, will undertake a venture capital investment programme in the United Kingdom. Its present portfolio consists of an investment in Space-Time Systems Limited which was acquired from Newcastle on 27th November, 1981. Further funds for investment will be provided by the Company when required.

New Cambridge

With a view to increasing the opportunities in the venture capital field potentially available to it, the Company has formed New Cambridge with King's College, Cambridge participating as a shareholder. The shares in New Cambridge are owned as to two-thirds by the Company and as to one-third by King's College, Cambridge. The Directors of New Cambridge are Mr. A. B. Henderson and Mr. P. J. Smith who are Directors of the Company and Mr. A. J. Butterworth who is the Investment Adviser to King's College, Cambridge. New Cambridge will finance research into new ideas and inventions in the United Kingdom in order to assess their commercial prospects and will concentrate its efforts on those ideas or inventions associated with scientific developments. It is not intended that New Cambridge should provide funds for the commercial development of prospects but that its operation should be complementary to the Company's activities.

Investment Record

The Group has so far invested in 19 companies. Since three of the shareholders of Newcastle were United Kingdom residents, its investment activities came within the scope of the U.K. Exchange Control Regulations during the period from 1972 to 1979. Variations in the application of these regulations curtailed the investment programme from 1976 until the suspension of the regulations in 1979. The following tables show the amounts invested in each company, the Directors' valuation as at 25th November, 1981 of the investments still held and, in the case of those no longer held, the amounts arising from their disposal or realisation.

Current Holdings	Date of initial investment	Total net amount invested U.S.$	Directors' valuation as at 25th November, 1981 U.S.$	Unrealised gains (losses) U.S.$
Evans & Sutherland Computer Corporation	1972	1,010,000	36,045,000	35,035,000
Ocean Data Systems Inc. *(note)*	1973	223,300	130,900	(92,400)
Apple Computer Inc.*	1979	131,250	1,843,750	1,712,500
Imed Corporation	1980	250,000	262,500	12,500
Terra Tek Inc.*	1981	151,580	151,580	—
Computer Design & Applications Inc.*	1981	106,037	106,037	—
Personal Software Inc.*	1981	159,000	159,000	—
Centocor Inc.*	1981	219,420	219,420	—
Native Plants Inc.*	1981	264,977	264,977	—
Diasonics Inc.	1981	174,000	192,000	18,000
Space-Time Systems Limited	1981	354,680	387,000	32,320

*These investments are held by Newcastle. The remainder are held by the Company, except Space-Time Systems Limited which is held by Newmarket Venture Capital.

Note: Subsequent to 25th November, 1981 the Company received notification of a conditional offer to tender its shares in Ocean Data Systems Inc. at U.S. $65.65 per share. No decision has yet been taken whether to tender any shares.

Holdings disposed of	Date of initial investment	Total net amount invested U.S.$	Year of disposal	Disposal proceeds U.S.$	Realised gains (losses) U.S.$
Iomec Inc. *(a)*	1972	690,000	1976	38,125	(651,875)
Eocom Corporation	1973	378,250	1977	219,250	(159,000)
Rotomaster Inc. *(b)*	1973	150,000	1976/1979	424,682	274,682
Foraflex S.A.	1973	162,233	1977	60,646	(101,587)
C.C.I. Life Systems Inc.	1974	500,000	1978	812,500	312,500
Tele/Resources Inc. *(c)*	1974	1,345,904	1980	nil	(1,345,904)
Playback Associates Inc. *(d)*	1976	150,000	1977/1979	175,717	25,717
Boschert Inc. *(e)*	1979	200,000	1981	400,000	200,000
Apple Computer Inc. *(f)*	1979	131,250	1981	2,975,000	2,843,750

NOTES
(a) In 1975 Iomec Inc. merged with Data 100 Corporation and Newcastle received in exchange for its shareholding in Iomec Inc. 4,044 shares in Data 100 Corporation. In 1976 the shares in Data 100 Corporation were sold for U.S.$38,125.
(b) In 1975 Rotomaster Inc. merged with Echlin Manufacturing Company and Newcastle received in exchange for its shareholding in Rotomaster Inc. 19,182 shares in Echlin Manufacturing Company. In 1976 18,223 shares in Echlin Manufacturing Company were sold for U.S.$395,909 and in 1979 the balance of the holding was sold for U.S.$28,773.
(c) Tele/Resources Inc. has filed for protection under Chapter 11 of the United States Federal Bankruptcy Code and has disposed of its assets. The proceeds of sale are the subject of litigation and, until such time as this is determined, the investment in this company is being valued at nil. The investment has accordingly been included in the above table rather than the previous one. The Company does not expect to receive more than U.S.$200,000 following any realisation of this investment.
(d) In 1977 Playback Associates Inc. sold certain of its assets to Reeves Teletype Corporation and distributed to its shareholders the shares in Reeves Teletype Corporation and cash received in exchange. Newcastle received 11,475 shares in Reeves Teletype Corporation and U.S.$80,102 in cash. In 1979 the shares in Reeves Teletype Corporation were sold for U.S.$71,432 and the original investment in Playback Associates Inc. was realised for U.S.$24,183.
(e) In 1981 the 25,000 shares in Boschert Inc. were acquired by BICC Limited for U.S.$18 per share in cash, of which U.S.$16 per share has been received. The balance of U.S.$2 per share is currently held in suspense and is expected to be received in January 1982.
(f) Half of the Group's holding in Apple Computer Inc. was sold on 27th May, 1981.

Net Asset Value

To illustrate the Group's performance on a net asset per share basis since 1972, the net asset values of Newcastle's shares have been restated to show the equivalent net asset value of the Company's Shares at the dates indicated:—

Date	U.S.$	Notes
31st December, 1973	0.50	(a)
" 1974	0.50	(a)
" 1975	0.44	(a)
" 1976	0.43	(a)
" 1977	0.57	(b)
" 1978	1.03	(b)
" 1979	1.29	(c)
" 1980	4.60	(c) (d) (e)
30th June, 1981	5.66	(c) (e) (f)
25th November, 1981	5.90	(c) (e) (f)

NOTES
(a) Basis of valuation was cost in the case of the unquoted investments and market value for quoted stocks.
(b) Basis of valuation was Directors' valuation in the case of the unquoted investments and market value for quoted stocks.
(c) Basis of valuation was Directors' valuation in the case of the unquoted investments and market value for quoted stocks, subject to the application of a 10 per cent. discount in the case of Evans & Sutherland Computer Corporation.
(d) The main reason for the large rise in net asset value was the rise in price in 1980 of the two quoted investments, namely Evans & Sutherland Computer Corporation and Apple Computer Inc.
(e) Adjusted to take into account Venrock's current shareholding in Newcastle.
(f) The above table does not reflect amounts which might be received in respect of Tele/Resources Inc. and Boschert Inc. (see "Investment Record" above).
(g) The above table does not take account of the net proceeds of the issue.
(h) The above table takes no account of the tender offer for the Company's holding in Ocean Data Systems Inc. described above.

An unaudited *pro-forma* statement of net assets of the Group as at 25th November, 1981, adjusted to take account of the net proceeds of the issue, is set out below.

(continued)

Existing Portfolio

There are set out below details of the Group's 11 existing investments. All the investments other than Evans & Sutherland Computer Corporation and Apple Computer Inc. are unquoted. In a number of cases the ventures are in the early stages of development when the subscribed capital is still being deployed to fulfil the initial business plan. In the United States of America *private companies are not required to make public audited* financial statements and investors, when making investments in private companies, have to agree not to disclose confidential information. For these reasons the information set out below is limited and varies from company to company. It is the Directors' intention, however, to provide shareholders with fuller information on the Group's investments as soon as restrictions upon such disclosure are lifted and to draw immediate attention, where information is still restricted, to commercial developments that indicate that a substantial change might ensue in the value of one of the Group's investments. The Directors will ensure that they will be in a position to be aware of relevant factors regarding the Group's investments.

(a) The Company

	Holding	*Percentage of equity*	*Cost*	*Directors' valuation as at 25th November, 1981*
Diasonics Inc.	60,000 shares of common stock	0.2%	U.S.$174,000	U.S.$192,000

A U.S. company founded in 1977 which manufactures and markets computer-based high technology medical imaging systems.

During 1981 the company expanded its operations into the cardiac ultrasound market and acquired an NMR (nuclear magnetic resonance) research project.

Imed Corporation	5,000 shares of common stock	0.2%	U.S.$250,000	U.S.$262,500

A U.S. company founded in 1972 which designs, manufactures and markets electronic medical instruments for the administration and control of intravenous solutions. Its net sales for the year ended 31st July, 1981 were U.S.$55 million against U.S.$35.4 million for the year ended 31st July, 1980.

The company has a product line of eight instruments which, with a high volume of disposable cassettes, has achieved a high level of sales growth. In 1981 the company's marketing arrangements were changed to predominantly direct sales from the previous reliance on a network of dealers. Plans for *expansion include a move to a plant in Vista, California, with a potential* area of 450,000 square feet. It is also intended to establish a plant in the Irish Republic initially to manufacture cassettes.

Ocean Data Systems Inc.	7,700 shares of common stock	7.4%	U.S.$223,300	U.S.$130,900

A U.S. diversified technology services company founded in 1969, engaged in the fields of commercial information systems, meteorology and oceanography. Its net sales for the year ended 31st December, 1980 were U.S.$10.7 million.

The unprofitable Iranian operations have ceased; growth in the future is expected from the company's meteorological subsidiary (Global Weather Dynamics, Inc.). In this regard an arrangement has recently been entered into with Control Data Corporation for the provision of a large computer. In addition, Global Weather Dynamics, Inc. has negotiated two contracts in Saudi Arabia.

The Company has been notified of a tender offer for its holding in this company as mentioned above.

Evans & Sutherland Computer Corporation	1,200,000 shares of common stock	13.7%	U.S.$1,010,000	U.S.$36,045,000

A U.S. company founded in 1968 which designs, builds, sells and services special purpose digital computers. The equipment has both commercial and scientific applications which include pilot training simulators and design engineering work stations.

For the year ended 26th December, 1980 this company achieved net earnings of U.S.$6.1 million on net sales of U.S.$34.7 million, compared with net earnings of *U.S.$2.4 million* on net sales of *U.S.$20 million* in 1979. Further progress has been made during the first nine months of 1981 with net earnings of *U.S.$6.3* million on net sales of *U.S.$32.7* million (both unaudited).

During 1981 the closing bid price of the shares on the Over-The-Counter Market in the United States has ranged between U.S.$39 and U.S.$18. The closing bid price was U.S.$33 as at 25th November, 1981.

Further details on this investment are contained in Appendix I.

(b) Newcastle

	Holding	*Percentage of equity*	*Cost*	*Directors' valuation as at 25th November, 1981*
Centocor Inc.	9,000 shares of common stock	0.7%	U.S.$219,420	U.S.$219,420

A U.S. company founded in 1979 and engaged in applying new developments in immunology, in particular monoclonal antibodies, to the development and manufacture of advanced diagnostic tests and therapeutic agents for human health care.

Revenues from the sale of products have been minimal to date, largely due to the long developmental and governmental approval cycles for such systems. Several products are, however, well advanced in the approval process and should be on the market in 1982. Joint ventures or marketing arrangements have been made with major health care companies in several product areas.

Computer Design & Applications Inc.	7,990 shares of series "A" convertible preferred stock	2.0%	U.S.$106,037	U.S.$106,037

A U.S. company founded in 1975 operating in high performance signal processing and computer imaging. Its net sales for the year to 30th September, 1980 were U.S.$2.1 million. Sales (unaudited) for the year to 30th September, 1981 were U.S.$2.8 million.

Since the investment was made, this company has made progress in developing a new high performance array processor, which has been well received. The company's current order book is U.S.$5.1 million.

Native Plants Inc.	5,111 shares of common stock	3.8%	U.S.$264,977	U.S.$264,977

A U.S. company founded in 1973 which is engaged in the optimisation, propagation and growing of plants and the provision of consultancy in the areas of soil and land reclamation. Its sales for the year to 31st December, 1980 were U.S.$1.5 million. Net sales (unaudited) for the nine months ended 30th September, 1981 were approximately 58 per cent. ahead of results for the corresponding 1980 period.

In addition to the above activities, a number of potential areas are being actively researched and developed, including tissue culture, plant mutagenesis, micro-organisms beneficial to plants and manipulation of plant DNA (deoxyribonucleic acid).

Personal Software Inc.	15,000 shares of series "A" convertible preferred stock	0.6%	U.S.$159,000	U.S.$159,000

A U.S. company founded in 1978 which develops, licenses and markets software programmes for personal computers. Its net sales for the year to 31st December, 1980 were U.S.$3.8 million. Sales (unaudited) for the nine months to 30th September, 1981 were very substantially higher than those for the corresponding 1980 period.

The company has experienced a very rapid growth in line with the personal computer market which has recently been entered by major U.S. and foreign manufacturers. The range of the company's products is continually being updated and modified to meet the requirements of the many companies now in the personal computer industry, some of which consult the company *during their development process.*

Terra Tek Inc.	440 shares of common stock	1.5%	U.S.$151,580	U.S.$151,580

A U.S. company founded in 1969 engaged in several aspects of energy and mineral resource recovery, with an emphasis on consulting, research and systems in geophysics and geomechanics. Its net sales for the year to 30th June, 1981 were U.S.$9.7 million, compared with U.S.$7.6 million for the year to 30th June, 1980.

In addition to its service activities the company has an interest in producing oil and gas from unconventional sources. It also owns 33 per cent. of Native Plants Inc.

Apple Computer Inc.	100,000 shares of common stock	0.2%	U.S.$131,250	U.S.$1,843,750

A U.S. company founded in 1977 which designs, manufactures and markets micro-computers for business, scientific, educational and home use.

For the year ended 30th September, 1981 its net earnings amounted to U.S.$39.4 million on net sales of U.S.$335 million compared with U.S.$11.7 million and U.S.$117 million respectively for the year ended 30th September, 1980. The company has to date paid no dividends. Shareholders' equity amounted to U.S.$177.4 million as at 30th September, 1981.

During 1981 *the closing bid price* of the shares on the Over-The-Counter Market in the United States has ranged between U.S.$35¾ and U.S.$13½. The closing bid price was U.S.$18¾ as at 25th November, 1981.

(c) Newmarket Venture Capital

	Holding	*Percentage of equity*	*Cost*	*Directors' valuation as at 25th November, 1981*
Space-Time Systems Limited	100,000 preferred ordinary shares	26%	U.S.$354,680	U.S.$387,000

A private U.K. company founded in 1979 which designs and markets computer-based ticket/reservation systems. Its net sales for the period from 1st July, 1980 to 30th April, 1981 were £115,749.

Based upon the projections produced at the time of investment, the company has made a promising start. This investment was made in sterling and the difference between cost and valuation is attributable to movements in the exchange rate.

Valuation of Investments

Unquoted

The valuation of unquoted venture capital investments is the Directors' responsibility. It is their usual policy for investments initially to be carried at cost. Subsequently the Directors are guided by a number of factors including the achievement of the various financial *targets which make up a venture's financial* plan, subsequent issues of capital at a different price and dealings between third parties. The valuation also attempts to relate the investment to any comparable quoted company, taking into account relative size, marketability and discounting for major holdings.

Quoted

Quoted investments are carried at market value less any discount appropriate in the light of the size of the holding or restrictions on disposal. At present a discount applies only to the holding in Evans & Sutherland Computer Corporation which is carried at a 10 per cent. discount due to a restriction on disposal imposed by the Regulations of the United States Securities and Exchange Commission *on unregistered stock. The effect of* these regulations is to restrict the amount of Evans & Sutherland Computer Corporation common stock which the Company may sell in the open market in any three-month period. They do not however affect the Company's ability to dispose of Evans & Sutherland Computer Corporation common stock pursuant to a private placement or a registered public offering.

Net asset value

The net asset value of the Company will be calculated as at 31st March, 30th June, 30th September and 31st December each year and will be notified to shareholders as soon as practicable following its calculation. The net asset value at 31st December *will be audited and will be included in the preliminary announcement* of the results for the year.

Investment Policy

The policy of the Group is to make venture capital investments, which may be in any type of venture and may take any form considered appropriate. All the Group's assets may be invested in unquoted securities. The unit of investment by the Group may vary considerably but usually will not exceed U.S.$750,000. The Group may borrow to fund its investments although it *will not be the policy to do so, except on a short-term basis.*

The Group will not seek a geographic spread of its investments but may invest in any country where an attractive opportunity occurs. However, it is expected that the majority of investments will be in the United States, while suitable opportunities will also be actively sought in the United Kingdom. The Group may make investments in association with or through other venture capital entities in the United States, the United Kingdom and elsewhere.

It is not the policy to take management or legal control of any company in which investments are made or to invest more than 10 per cent. of the Group's gross assets at the time of purchase in any one venture. Investments may be retained whose value exceeds 10 per cent. of the Group's net assets as a result of increases in their market value, as in the case of Evans & Sutherland Computer Corporation. However in certain circumstances in the case of rights issues, it may be necessary for the Group to take up its entitlement to protect the interest of shareholders of the Company from any loss of value or significant dilution of the Group's interest.

The success of a company in which an investment has been made may lead to the listing of its shares on a stock exchange or other securities market or its acquisition by a third party. It is the Group's policy to retain investments which still appear to hold promise for further development even where a listing has been obtained. Those investments which are thought to be maturing beyond the venture capital stage may be sold as and when *appropriate. Acquisition or merger offers may be accepted resulting either in the disposal of an investment or* its retention in a different form.

Dividends

No dividend will be paid by the Company in respect of the year ending 31st December, 1981. It must be emphasised that it is in the nature of companies in the early or venture stage of development to retain their earnings rather than to distribute them with the result that the Company's dividend income is likely to be small. To the extent that there is an excess of revenue over expenditure, however, this is expected to be distributed to shareholders in the form of dividends. The amount of distributable income will largely be determined by the *amount of interest being earned on the Group's funds awaiting investment. The Company should accordingly* be in a position to pay dividends in the early period.

The Bye-Laws of the Company prohibit the distribution by way of dividend of surpluses arising from the realisation of investments.

Management and Operations

The members of the Board of Directors of the Company are as follows:—

Mr. A. B. Henderson (aged 48) is a Director of Greenfair Investment Trust p.l.c. and Ranger Oil Limited. He has been a Director of Newcastle since its formation.

Mr. P. G. Brealey (aged 49) is a Director of The Mercantile Investment Trust p.l.c. and of Robert Fleming Investment Management Limited. He has been a Director of Newcastle since 1974.

Mr. J. D. Campbell (aged 38) is a partner in Appleby, Spurling & Kempe and is the Secretary of the Company. He is a Director of Chevy Chase Property Company Limited and Sea Containers Limited and has been a Director of Newcastle since its formation.

Mr. L. Breckenridge (aged 69) is a Director of Hawkins Trust Company Limited and became a Director of the Company on 27th November, 1981.

Mr. C. F. G. Heward (aged 50) is a Director of Chilion & Brian Heward Investment Management Limited and of Consumers Glass Company Limited. He was formerly president and chief executive officer of Jones Heward & Co. Limited, Canadian stockbrokers and investment consultants, and became a Director of the Company on 27th November, 1981.

Mr. I. Hilton (aged 43) is a partner in Appleby, Spurling & Kempe and is a Director of Chevy Chase Property Company Limited and Sea Containers Limited. He has been a Director of Newcastle since 1974.

Mr. J. R. Talbot (aged 43) is a Manager-Trust of The Bank of Butterfield Executor & Trustee Company Limited. He became a Director of the Company on 27th November, 1981.

Mr. J. P. Smith (aged 49) is Chief Investment Manager of Equity & Law Life Assurance Society, Limited. He has been a Director of Newcastle since its formation.

Mr. P. J. Smith (aged 48) is a partner in Cazenove & Co. and a Managing Director of Frobisher Fund N.V. He has been a Director of Newcastle since its formation.

Mr. D. M. Wentworth-Stanley (aged 29) is a Vice-President of Cazenove Inc. and became a Director of the Company on 27th November, 1981.

Mr. B. H. B. Wrey (aged 41) is a Managing Director of Henderson Administration Limited (the manager of Witan Investment Company p.l.c.) and has been a Director of Newcastle since 1977.

The Directors of the Company are responsible for formulating and implementing the Group's overall investment policy. Investments may be made in conjunction with other venture capital organisations. In particular, in the United States, investments may be made in conjunction with Venrock and in the United Kingdom Newmarket Venture Capital will co-operate with consultants, advisers and other investors, including New Cambridge. The close contacts of the Company among venture capital investors in the United States, *some of whom have been engaged in this activity for many years and have established successful reputations,* the position of its United Kingdom Directors in investment management and the ability of New Cambridge and Newmarket Venture Capital actively to research and to seek investment opportunities in the United Kingdom should place the Group in a good position to take advantage of available venture capital opportunities. In addition, as a result of its investment in AT-Bermuda, the Company will benefit from the expertise of the management and Board of Advisors of AT-Bermuda, details of whom are set out in Appendix II. As a result, the Company does not intend to appoint any management group for its own U.S. activities nor, at the present time, does it intend to do so for its U.K. activities.

Investments by the Group result from the screening and investigation of a wide variety of proposals. In the majority of cases this is carried out by other venture capital groups who have the necessary specialist staff. The Group will now be required to contribute towards the costs of these investigations and to pay a proportion of the cost of the subsequent monitoring of investments made, its contributions in some cases being calculated by reference to the performance of the relevant investment. Since no investigatory charges have hitherto been borne *by the Group and in view of the increased expenses necessary for the administration of a listed company,* the Group's expenses will be higher than in the past.

The Directors are assisted by Mr. G. P. Ledeboer, who is an alternate Director and who was formerly a Director and the Investment Manager of The Mercantile Investment Trust p.l.c. and a Director of Newcastle from 1972 to 1974. He acts as an investment consultant to the Group.

The Directors are also assisted by a Board of Advisers who, when called upon, advise the Company of developments within their particular fields of knowledge and give general scientific advice. The members of the Board of Advisers have no responsibility for any financial or investment decision.

The following have agreed to serve as the initial members of the Board of Advisers:—

Sir Brian Pippard, Sc.D, FRS—Cavendish Professor of Physics, University of Cambridge.

A. Klug, Ph.D, FRS—Fellow of Peterhouse, Cambridge.

It is expected that an additional appointment to the Board of Advisers will be made in due course.

Future Developments

From the net proceeds of the issue amounting to U.S.$36 million (on the basis of current exchange rates), approximately U.S.$5.3 million will be applied in satisfying the cash price of the investments acquired from Newcastle. U.S.$250,000 will be committed to research projects initiated by New Cambridge and U.S.$6 million *will be invested in AT-Bermuda. The balance of the funds of some U.S.$24.5 million will be applied* towards future venture capital investments by the Company, and by the other members of the Group as described below. The Company anticipates that it will continue to make investments in the United States in addition to the interests held through Newcastle and AT-Bermuda and will consider opportunities in other countries. *It will allocate U.S.$2 million annually to finance* such investments. The available funds should finance an investment programme for the Group for the next three to five years.

Newcastle

After the issue, Newcastle will have U.S.$7 million available for its investment programme, which includes *approximately U.S.$3 million* from the sale of part of its holding in Apple Computer Inc. Five investments have already been made during 1981 and five investments, which may involve a total investment of U.S.$ 1 million, are currently being negotiated in association with Venrock. In the future the units of investment may be larger than those which have previously been made or are currently under negotiation. It is therefore possible that the capital presently available will be invested within five years, and in that event consideration will be given to an additional investment programme.

AT-Bermuda

The Company will invest U.S.$6 million in AT-Bermuda which will make investments in U.S. companies in the high technology field. The primary aim of AT-Bermuda will be capital appreciation. It is understood that there may be other subscribers in addition to the Company but that the total subscribed capital will not exceed U.S.$15 million. AT-Bermuda will have an initial term of approximately nine years, although the arrangements may be terminated after eight years or extended up to 14 years. There will be two classes of partner: Special and General. Special Partners, of which the Company will be one, will provide almost all of the partnership's capital and the liability of the Company as a Special Partner will be limited to the amount of capital which it has committed to AT-Bermuda. The General Partners will be responsible for overall management and will share in any profits of the partnership as described in Appendix II.

AT-Bermuda will be managed by W-K Associates, a U.S. partnership formed to manage venture capital investments, and will also have recourse to a Board of Advisors. AT-Bermuda will make investments in conjunction with Advanced Technology Ventures ("Advanced Technology"), a U.S. limited partnership with a committed capital of U.S.$30 million which commenced business in August 1980.

Through its investment in AT-Bermuda, the Company expects to benefit from the expertise of the General Partners who will include Mr. T. F. Walkowicz and Dr. I. E. Sutherland. Mr. Walkowicz, who is a former partner in Venrock, has considerable experience in the venture capital field and is a founder of W-K Associates. He is also, with Dr. Sutherland, a Director of Evans & Sutherland Computer Corporation.

Draft regulations have been proposed by the U.S. Department of Labor which, if brought into force in their present form, could in certain circumstances preclude AT-Bermuda from investing in the same securities as Advanced Technology. In these circumstances it would be the intention of W-K Associates, as manager of both partnerships, to arrive at an equitable division of investment opportunities between them. Should this prove impracticable, AT-Bermuda would be terminated.

Further details of the arrangements concerning AT-Bermuda are set out in Appendix II.

Newmarket Venture Capital

Newmarket Venture Capital's investment programme will be financed by the Company through subscriptions of equity and the provision of loans. In addition to the investment in Space-Time Systems Limited of U.S.$354,680, a further investment of a similar amount in another U.K. project is under consideration. It is planned to allocate approximately U.S.$2 million annually for investment, although the actual amounts invested in any one year will not be restricted to this amount should additional opportunities occur. Newmarket Venture Capital may also support projects resulting from research initiated by New Cambridge.

New Cambridge

U.S.$250,000 will be provided to New Cambridge as required through loans by the Company. These funds will only be used for financing research into the commercial viability of prospects. King's College, Cambridge *will assist New Cambridge with advice on suitable research facilities and experts as and when required. Should* a prospect appear to be encouraging, the viability of forming a separate development vehicle in conjunction with the initiator of the prospect would be explored by New Cambridge. Any development finance which may prove to be necessary for a project would be sought from venture capital sources which might include Newmarket Venture Capital and the shareholders of New Cambridge. In return for organising the research and assisting in the establishment of the development vehicle, New Cambridge would seek to negotiate a fee by way of a royalty on any future sales of the product under development.

Risk Factors

New industrial and commercial enterprises formed to develop products or services, which are often derived from knowledge gained by scientific research, require capital to finance their initial and subsequent operations. In certain areas of innovation, for example in biochemistry and allied sciences, research into the possibility of producing a commercial product or service is conducted without any certainty of the research proving successful. In other cases proven products or services are required to be developed on a commercial scale. These first stages of development are ventures of high financial risk. Even following a successful proving of the innovation, the subsequent development and initial marketing period may continue to be commercially hazardous and financially speculative. Once an investment has been made, it may be necessary to increase the investment, not only to maintain the viability of an enterprise but also to exploit a successful situation. Investment in the venture capital field not only carries a high level of investment risk — the history of the Group's investments illustrates the varying performance of its venture capital investments over an eight-year period — but also involves higher investigatory expenditure in respect of both investments acquired and propositions declined than would normally be experienced by a portfolio investment company.

New Cambridge is a new enterprise and will rely on the support and connections of its two shareholders to obtain and evaluate possible ventures. Competition from research groups and organisations financed by public money or major industrial companies may restrict the opportunities available.

The value of the Company's holding in Evans & Sutherland Computer Corporation as at 25th November, 1981 amounted to 47 per cent. of the Group's net assets attributable to shareholders adjusted for the issue and therefore fluctuations in the market price of this investment may have a material effect on the net asset value of the Group.

ACCOUNTANTS' REPORT

Coopers & Lybrand,
P.O. Box 1171,
Dorchester House,
Hamilton 5,
Bermuda.

The Directors,
Newmarket Company (1981) Limited,
Reid House,
Church Street,
Hamilton 5,
Bermuda.

2nd December, 1981

Gentlemen,

1. We report that Newmarket Company (1981) Limited was incorporated in Bermuda on 13th March, 1981. No financial statements have been made up for the company nor have any dividends been declared or paid. On 27th November, 1981 Newmarket Company (1981) Limited acquired the whole of the issued share capital of Newcastle Company Limited ("Newcastle") by way of an exchange of shares.

2. We have examined the audited financial statements of Newcastle from 1st January, 1976 to 30th June, 1981. Newcastle was incorporated in Bermuda on 9th October, 1972 as an open-ended company adopting the name of Newmarket Company Limited. On 27th November, 1981 it changed its name to Newcastle Company Limited. We have acted as auditors of Newcastle for the whole of the period under review.

3. The financial statements which are set out below are based on the audited financial statements of Newcastle which are denominated in U.S. dollars. They have been prepared under the historical cost convention, *which permits the inclusion of certain assets at a revaluation, and after making such adjustments* to the audited financial statements as, in our opinion, are appropriate. Subject to the ultimate corroboration of the values assigned to the unquoted investments through realisation or obtaining a market quotation, in our opinion:—

(a) *the following balance sheet presents fairly the financial position of Newcastle as at 30th June, 1981;*

(b) the following statements of revenue and expenditure, movements on reserves and source and application of funds present fairly the results of operations of Newcastle for the five years and six months ended 30th June, 1981;

in accordance with accounting principles generally accepted in Bermuda and in conformity with international accounting standards applied, except for the change in the basis of carrying unquoted investments from cost to directors' valuation during the year ended 31st December, 1977 described in note (c) to the statement of movements in reserves, on a consistent basis.

ACCOUNTING POLICIES

4. The significant accounting policies adopted in arriving at the financial information relating to Newcastle set out in this report are as follows:—

(a) *Basis of preparation*
The financial information has been prepared in accordance with the historical cost convention, with the exception of investments which are valued on the basis described in (c) below.

(b) *Basis of results*
Revenue and expenditure are accounted for on an accruals basis in the revenue and expenditure account. Realised and unrealised gains or losses on investments are accounted for in shareholders' equity through reserves.

(c) *Investments*
Investments traded on the Over-The-Counter Market in the U.S.A. are included at quoted market value, less a discount appropriate in the light of the size of the holding or to reflect any restrictions on the disposal of the investments. In accordance with this policy a discount of 10 per cent. has been made in respect of the investment in Evans & Sutherland Computer Corporation as explained in note (a) to the balance sheet. Since 1st January, 1977 unquoted investments have been carried at directors' valuation, prior to which date they were carried at cost.

(d) *Foreign currency translation*
Asset and liability balances in currencies other than U.S. dollars are translated into U.S. dollars at year end rates of exchange. Transactions in currencies other than U.S. dollars are translated at the approximate rates of exchange prevailing on the dates of the transactions.

(e) *Taxation*
Newcastle has received an undertaking from the Minister of Finance in Bermuda pursuant to the provisions of the Exempted Undertakings Tax Protection Act, 1966 which exempts it from any Bermuda taxes computed on profits or income or computed on any capital asset, gain or appreciation at least until the year 2006. However, it does suffer withholding taxes on dividends received from companies resident in countries which impose such taxes.

STATEMENTS OF REVENUE AND EXPENDITURE

5. Statements of revenue and expenditure of Newcastle for the five years and six months ended 30th June, 1981 are set out below:—

	Year ended 31st December,					*Six months ended 30th June,*
	1976 U.S.$	*1977* U.S.$	*1978* U.S.$	*1979* U.S.$	*1980* U.S.$	*1981* U.S.$
Revenue, comprising investment and interest income	47,023	57,455	52,235	103,142	29,327	11,818
Expenditure	41,422	38,186	28,152	33,177	52,316	140,882
Excess of revenue over expenditure/(expenditure over revenue)	5,601	19,269	24,083	69,965	(22,989)	(129,064)
Dividend for the year	—	17,144	24,002	68,576	—	—
Excess of revenue over *expenditure retained/(expenditure* over revenue)	5,601	2,125	81	1,389	(22,989)	(129,064)
Revenue is after deducting:						
Withholding tax	19,816	23,835	1,243	253	—	—
Expenditure includes:						
Interest payable	20,012	4,350	924	—	4,392	27,460

MOVEMENTS ON RESERVES

6. The statement of movements on reserves of Newcastle for the five years and six months ended 30th June, 1981 is set out below:—

	Year ended 31st December,					*Six months ended 30th June,*
	1976 U.S.$	*1977* U.S.$	*1978* U.S.$	*1979* U.S.$	*1980* U.S.$	*1981* U.S.$
Reserves at the beginning of the year/period	(392,918)	(410,196)	410,285	3,582,549	5,373,184	29,267,139
Excess of revenue over expenditure retained/(expenditure over revenue)	5,601	2,125	81	1,389	(22,989)	(129,064)
Realised gains/(losses) over original cost on the disposal of investments	(398,467)	(260,585)	312,500	46,992	—	3,043,750
Unrealised gains/(losses) on						
—quoted investments *Notes (a) and (b)*	375,588	(839)	3,529,339	2,372,626	24,935,000	4,360,000
—unquoted investments *Notes (a), (b) and (c)*	—	1,079,780	(669,656)	(630,372)	327,848	(187,500)
Unquoted investment written off *Note (d)*	—	—	—	—	(1,345,904)	—
Reserves at the end of the year/period	(410,196)	410,285	3,582,549	5,373,184	29,267,139	36,354,325

Notes:—

(a) Unrealised gains/(losses) on investments represent changes in the valuation of investments held at the balance sheet date since the previous valuation date, together with the elimination on the sale of investments of the balance of unrealised gains/(losses).

(b) An unquoted investment (Evans & Sutherland Computer Corporation), stated at directors' valuation of U.S.$1,300,000 at 31st December, 1977 became quoted during 1978 and its quoted market value at 31st December, 1978 was U.S.$3,600,000. Another unquoted investment (Apple Computer Inc.), stated at directors' valuation of U.S.$252,500 at 31st December, 1979, became quoted during 1980 and its quoted *market value at 31st December, 1980 was U.S. $6,837,500. These changes are reflected in the movements* on unrealised gains/(losses) on quoted and unquoted investments in 1978 and 1980 respectively.

(c) On 1st January, 1977 the basis of carrying unquoted investments changed from cost to directors' valuation which resulted in the increase in unrealised gains/(losses) on unquoted investments of U.S. $1,079,780 in 1977.

(d) This relates to the investment in Tele/Resources Inc. Further details are contained in paragraph 8(e).

SOURCE AND APPLICATION OF FUNDS

7. The source and application of funds of Newcastle for the five years and six months ended 30th June, 1981 are as follows:—

	Year ended 31st December,					*Six months ended 30th June,*
	1976 U.S.$	*1977* U.S.$	*1978* U.S.$	*1979* U.S.$	*1980* U.S.$	*1981* U.S.$
Sources of Funds						
Excess of revenue over expenditure	5,601	19,269	24,083	69,965	—	—
Sale proceeds of investments	434,034	364,158	812,500	124,388	—	3,375,000
Total Generated from Operations	439,635	383,427	836,583	194,353	—	3,375,000
Funds from Other Sources						
Issue of shares for cash	—	—	450,000	—	—	—
Bank loans	—	159,000	—	—	100,000	—
	439,635	542,427	1,286,583	194,353	100,000	3,375,000
Application of Funds						
Excess of expenditure over revenue	—	—	—	—	(22,989)	(129,064)
Redemption of shares for cash	—	(60,640)	—	—	—	—
Dividend paid	—	—	(17,144)	(24,002)	(68,576)	—
Purchase of investments	(175,763)	(517,500)	(50,000)	(762,500)	(500,000)	(1,075,014)
Repayment of bank loans	(255,000)	—	(159,000)	—	—	(100,000)
	(430,763)	(578,140)	(226,144)	(786,502)	(591,565)	(1,304,078)
Increase/(decrease) in Working Capital	8,872	(35,713)	1,060,439	(592,149)	(491,565)	2,070,922
Representing						
Increase/(decrease) in accrued interest	803	(3,612)	(4,048)	2,371	(9,781)	11,818
Increase in debtors and prepaid expenses	—	—	—	—	8,422	2,782
(Increase)/decrease in creditors	12,629	(35,085)	17,910	(17,125)	(8,626)	(118,508)
Movement in net liquid funds:—						
Increase/(decrease) in cash and short-term deposits	(4,560)	2,984	1,046,577	(577,395)	(481,580)	2,174,830
	8,872	(35,713)	1,060,439	(592,149)	(491,565)	2,070,922

BALANCE SHEET

8. The balance sheet of Newcastle at 30th June, 1981 is set out below:—

	Notes	U.S.$
Assets		
Quoted investments	*(a)*	36,356,250
Unquoted investments	*(b)*	1,468,414
Cash and short-term deposits		2,177,419
Accrued interest		11,818
Accounts receivable and prepaid expenses		11,204
		40,025,105
Liabilities		
Accounts payable and accrued liabilities		194,200
		39,830,905
Shareholders' equity		
Capital stock	(c)	342,882
Share premium		3,133,698
Reserves	(d)	36,354,325
		39,830,905

Notes:—

(a) Quoted investments:—

	Cost U.S.$	*Market Value* U.S.$
Apple Computer Inc. 100,000 common shares: representing 0.2 per cent. of the issued outstanding stock	131,250	2,606,250
Evans & Sutherland Computer Corporation 1,200,000 common shares: representing 13.7 per cent. of the issued outstanding stock	1,010,000	33,750,000
	1,141,250	36,356,250

The quoted investments are traded on the Over-The-Counter Market in the U.S.A. and prices are quoted by the National Association of Securities Dealers Automated Quotations System ("NASDAQ"). The quoted investments are included at the mid-point of the NASDAQ quoted market values at the close of business at 30th June, 1981 less, in the case of Evans & Sutherland Computer Corporation, a discount of 10 per cent. to take account of the fact that sales of the shareholding to the public can be effected only by means of a registered offering or over an extended period in accordance with the regulations of the United States Securities and Exchange Commission. On the basis of the accounting policy described in paragraph 4(c), the quoted investments were valued at U.S.$37.9 million on 25th November, 1981, compared with the value included in these accounts at 30th June, 1981 of U.S.$36.4 million.

(b) Unquoted investments:—

	Cost U.S.$	*Directors' Valuation* U.S.$
Centocor Inc.—9,000 common shares	219,420	219,420
Computer Design & Applications Inc.—7,990 series "A" convertible preferred shares	106,037	106,037
Diasonics Inc.—60,000 common shares	174,000	174,000
Imed Corporation—5,000 common shares	250,000	262,500
Native Plants Inc.—5,111 common shares	264,977	264,977
Ocean Data Systems Inc.—7,700 common shares	223,300	130,900
Personal Software Inc.—15,000 series "A" convertible preferred shares	159,000	159,000
Tele/Resources Inc.: *(Note (e))*		
U.S.$300,000 10 per cent. notes 1984	—	—
U.S.$250,000 short-term promissory note	—	—
668,056 common shares	—	—
300,000 warrants to acquire common shares	—	—
Terra Tek Inc.—440 common shares	151,580	151,580
	1,548,314	1,468,414

(c) Capital stock

The authorised share capital at 30th June, 1981 was U.S.$500,000 divided into 500,000 shares with a par value of U.S.$1.00 each, of which 342,882 shares had been issued and were fully paid.

(d) Reserves

The analysis of reserves included in the balance sheet is set out below:—

	U.S.$
Accumulated expenditure over revenue, plus dividends paid	(179,060)
Accumulated realised gains less losses on the disposal of investments	2,744,189
Accumulated unrealised gains less losses on	
— quoted investments	35,215,000
— unquoted investments	(79,900)
Unquoted investments written off (Note (e))	(1,345,904)
	36,354,325

(continued)

(e) Tele/Resources Inc.

Tele/Resources Inc. filed for protection under Chapter 11 of the United States Federal Bankruptcy Code on 5th September, 1980 and the assets of the company were subsequently sold to another company. The investment in Tele/Resources Inc. has been written off in these financial statements as it is unlikely that any significant proceeds will be received from the liquidation of that company. The amount written off, U.S.$1,345,904, represents the cost of Newcastle's investment, and includes a short-term promissory note of U.S.$250,000.

RELATED PARTY TRANSACTIONS

9. Expenditure incurred in the six months ended 30th June, 1981 included U.S.$30,175 paid to an affiliated company and a director of that company in respect of his services as a consultant to Newcastle.

POST BALANCE SHEET EVENTS

10. The significant events that have taken place since 30th June, 1981 in respect of Newcastle are as follows:—

(a) Following a reorganisation on 27th November, 1981 investments stated in the accounts at 30th June, 1981 at a value of U.S.$34,317,400 were sold to Newmarket Company (1981) Limited for U.S.$4,961,500.

(b) Newcastle has acquired 100,000 preferred ordinary shares in Space-Time Systems Limited at a cost of U.S.$354,680. This investment was subsequently sold to a new U.K. wholly-owned subsidiary of Newmarket Company (1981) Limited on 27th November, 1981 at cost.

(c) Under the terms of a share option agreement, formalised in an exchange of letters dated 27th November, 1981, Venrock Associates, who have introduced investments to Newcastle, have been granted an option to subscribe up to 54,861 shares at par. As at 2nd December, 1981 this option had been exercised in respect of 38,098 shares.

AUDITED FINANCIAL STATEMENTS

11. Audited financial statements of Newcastle have not been prepared in respect of any period subsequent to 30th June, 1981.

NEW SUBSIDIARY COMPANIES

12. Two new subsidiary companies of Newmarket Company (1981) Limited have been incorporated in the United Kingdom since 30th June, 1981, Newmarket (Venture Capital) Limited which was incorporated on 2nd November, 1981 and New Cambridge Research Company Limited which was incorporated on 10th November, 1981. No financial statements have been made up for either company nor have any dividends been declared or paid.

Yours truly,

COOPERS & LYBRAND,
Chartered Accountants.

PRO FORMA STATEMENT OF NET ASSETS OF THE GROUP

There is set out below a *pro forma* statement of net assets of the Group as at 25th November, 1981.

	U.S.$
Investments	
Quoted	37,888,750
Unquoted	1,873,414
	39,762,164
Cash at Bank	1,916,799
Net Proceeds of the Issue	36,000,000
	77,678,963
Less	
Current Liabilities *less* Current Assets	212,876
Net Assets	77,466,087
Less	
Minority Interests	976,486
Net Assets Attributable to Shareholders	76,489,601
Represented by	
Capital Stock	667,882
Share Premium	40,845,328
Reserves	34,976,391
	76,489,601

NOTE:

The net assets of Newcastle are as shown by the audited financial statements as at 30th June, 1981 adjusted as follows:—

(a) Purchase in July 1981 of 100,000 preferred ordinary shares in Space-Time Systems Limited at a cost of U.S.$354,680 with a current valuation of U.S.$387,000.

(b) The increase in the market value of the quoted investments (Evans & Sutherland Computer Corporation and Apple Computer Inc. of U.S.$1,532,500 between 30th June, 1981 and 25th November, 1981.

(c) The increase in the Directors' valuation of Diasonics Inc. as at 25th November, 1981 of U.S. $18,000.

(d) The unaudited estimated excess of revenue over expenditure of Newcastle in the period 1st July, 1981 to 25th November, 1981 of U.S.$14,264.

(e) Exercise by Venrock of their option to purchase at par 38,098 shares in Newcastle.

(f) The proceeds of the issue of 6,500,000 Shares of the Company at U.S.$5.90 per Share amounting to U.S.$38,350,000 less the estimated expenses of the issue of U.S.$2,350,000.

TAXATION

The Company and Newcastle

The Bermuda Government charges an annual fee to each of the Company and Newcastle, currently at the rate of Bda $1,200 per annum for the Company and Bda $2,250 per annum for Newcastle. Under current Bermuda law neither the Company nor Newcastle is liable to pay any tax in Bermuda based upon income or capital gains. Both the Company and Newcastle have received undertakings from the Minister of Finance in Bermuda pursuant to the provisions of the Exempted Undertakings Tax Protection Act, 1966 which exempt the Company and Newcastle and their respective shareholders (other than shareholders ordinarily resident in Bermuda) from any Bermuda taxes computed on profits or income or computed on any capital asset, gain or appreciation or any tax in the nature of estate duty or inheritance tax at least until the year 2006.

Both the Company and Newcastle will suffer withholding taxes on dividends received by them from companies resident in countries which impose such taxes. No Bermudian tax will however be suffered on dividends paid by Newcastle to the Company or on distributions received from AT-Bermuda. The current withholding tax applicable to dividends received from U.S. companies is 30 per cent. Although there is currently no withholding tax on dividends from United Kingdom resident companies, it will not be possible for the Company to claim any refund of tax credit in respect of dividends paid to it by Newmarket Venture Capital and New Cambridge.

It is the intention of the Directors, as both the directors of the Company and of Newcastle, to conduct the affairs of the Company and of Newcastle so as to ensure that neither will be resident for taxation purposes in the United Kingdom.

The Company is not, nor is it anticipated that following the issue it will be, a close company within the meaning of Section 282 of the Income and Corporation Taxes Act 1970 of the United Kingdom.

Newmarket Venture Capital and New Cambridge

Both Newmarket Venture Capital and New Cambridge are resident in the United Kingdom for taxation purposes, and will therefore be subject to United Kingdom corporation tax on their profits and any chargeable gains accruing from disposals of investments held by them.

Shareholders

As mentioned above, shareholders of the Company (other than those ordinarily resident in Bermuda) are not, and at least until the year 2006 will not be, subject to any tax in Bermuda in respect of any Shares owned by them. Residents of the United Kingdom will, depending on their individual circumstances, be subject to United Kingdom tax on dividends received from the Company.

The attention of individuals who are ordinarily resident in the United Kingdom is drawn to Section 478 of the Income and Corporation Taxes Act 1970 and to Section 45 of the Finance Act 1981. These contain provisions for preventing the avoidance of income tax by individuals by transactions resulting in the transfer of income to persons (including companies) abroad. Since it is the intention of the Company to distribute by way of dividend any excess of revenue over expenditure, it is not thought that these provisions will materially affect United Kingdom investors.

Under proposals foreshadowed by a consultative document issued by the Inland Revenue in January 1981, legislation may be introduced in 1982 as a result of which, if the Company is controlled by United Kingdom resident investors, corporate shareholders who are resident in the United Kingdom and who are directly or indirectly interested in 10 per cent. or more of the Company could be made liable to United Kingdom taxation on their *pro rata* shares of the undistributed income and capital gains of the Company.

For United Kingdom tax purposes the proceeds of disposal of the Shares will not constitute income unless the recipient is a dealer in securities but a sale of Shares will constitute a disposal of the Shares sold for the purposes of United Kingdom tax on capital gains.

Investors who are in doubt as to their personal tax position should consult their professional advisers.

BERMUDA EXCHANGE CONTROL

Although incorporated in Bermuda the Company has been classified as non-resident in Bermuda for exchange control purposes by the Bermuda Monetary Authority (Foreign Exchange Control) whose permission has been obtained for the issue of the Shares. Since the Company has non-resident status, it may convert currency (other than Bermudian currency) held for its account into any other currency without restriction.

Persons, firms or companies regarded as resident in Bermuda for exchange control purposes require specific consent under the Exchange Control Act 1972 of Bermuda, and regulations thereunder, to purchase or sell the Shares, which are regarded as foreign currency securities by the Bermuda Monetary Authority (Foreign Exchange Control). Under the terms of the general permission given to the Company by the Bermuda Monetary Authority (Foreign Exchange Control), transactions in the Shares between persons, firms or companies regarded as non-resident in Bermuda for exchange control purposes may be effected without further permission of that Authority. Before the Company can issue or sell any further Shares, the Company must first obtain the prior written consent of the Bermuda Monetary Authority (Foreign Exchange Control).

REPORTS TO THE SHAREHOLDERS

A printed copy of the Directors' Report, accompanied by the balance sheet and income and expenditure account will be delivered or sent by post to the registered address of every shareholder at least 21 days prior to each Annual General Meeting of the Company. The first such report will be in respect of the period to 31st December, 1981. Annual General Meetings are expected to be held in Bermuda in or about May each year.

Shareholders will also be notified of the quarterly net asset value of the Company as mentioned under "Valuation of Investments" above.

DEALINGS, SETTLEMENT AND TRANSFER

After the last date for registration of renunciations, dealings on The Stock Exchange will normally be in pounds sterling for account settlement. It is expected that dealings will commence on Wednesday, 16th December, 1981.

C. N. Services Limited will act as London Transfer Agent for the Company's Registrars, The Bank of Butterfield Executor & Trustee Company Limited, P.O. Box 1735, Hamilton 5, Bermuda. C. N. Services Limited will accept on behalf of the Company's Registrars share certificates together with transfer forms signed by the transferor at its office, 14 King Street, London EC2V 8EA, for registration in Bermuda. No transfer form will be accepted unless accompanied by a remittance for the appropriate Bermudian stamp duty at the rate referred to below. C. N. Services Limited will be authorised to issue balance and split receipts to facilitate the settlement of share transactions in London and to make available at its office new share certificates against the appropriate receipts.

Bermudian stamp duty is chargeable at the rate of one-half of one per cent. (0.5 per cent.) of the consideration paid for each transfer of a Share (other than transfers between certain related entities and transfers where the beneficial ownership is not changed).

STATUTORY AND GENERAL INFORMATION

1. The Group

The Company

The Company was incorporated under the provisions of the Companies (Incorporation by Registration) Act, 1970 of Bermuda with a minimum capital of U.S.$12,000 all of which was issued for cash at par to The Mercantile Investment Trust p.l.c., Witan Investment Company p.l.c., Equity & Law Life Assurance Society, Limited and Frobisher Fund N.V. or their nominees. On 2nd April, 1981 a Memorandum of Increase of Capital was filed increasing the authorised capital of the Company to U.S.$750,000 divided into 15,000,000 Shares of U.S.$0.05 each. The constitution of the Company is defined in its Memorandum of Association and Bye-Laws.

On 27th November, 1981 the Company commenced business and issued 6,617,640 Shares credited as fully paid in exchange for the holdings of The Mercantile Investment Trust p.l.c., Witan Investment Company p.l.c., Equity & Law Life Assurance Society, Limited and Frobisher Fund N.V. in Newcastle. The effect of the exchange was that, taking into account the 240,000 Shares initially issued, the four shareholders of Newcastle became the owners of 20 Shares of U.S.$0.05 each in the Company for every one share of U.S.$1.00 in Newcastle previously held.

The issue price of U.S. $5.90 per Share represents a premium of U.S. $5.85 over the par value of U.S. $0.05.

Newcastle

Newcastle was incorporated in Bermuda with limited liability pursuant to a private Act of the Legislature on 9th October, 1972 and its registered office is at Reid House, Church Street, Hamilton 5, Bermuda. It has an authorised share capital of U.S.$500,000 divided into 500,000 shares of U.S.$1.00 each of which 380,980 shares have been issued and are fully paid. On 27th November, 1981 the company changed its name from Newmarket Company Limited to Newcastle Company Limited.

Newmarket Venture Capital

Newmarket Venture Capital was incorporated in England and Wales with limited liability on 2nd November, 1981 under the provisions of the Companies Acts 1948 to 1980 of Great Britain. It has an authorised share capital of £100,000 divided into 100,000 shares of £1 each of which two shares have been issued and are fully paid. All the issued share capital of Newmarket Venture Capital is beneficially owned by the Company.

New Cambridge

New Cambridge was incorporated in England and Wales with limited liability on 10th November, 1981 under the provisions of the Companies Acts 1948 to 1980 of Great Britain. New Cambridge has an authorised and issued share capital of 150 shares of £1 each. The Company owns 100 shares and King's College, Cambridge owns the remaining 50 shares.

2. Bye-Laws

The Bye-Laws of the Company contain, *inter alia*, provisions to the following effect:—

(a) Directors

(i) The number of Directors shall be such number not less than three as the Company in General Meeting may from time to time determine and each Director shall by way of qualification be required to hold one Share in the capital of the Company. The Directors shall have power to appoint a qualified person to fill a casual vacancy who shall hold office until the next following Annual General Meeting of the Company.

(ii) The remuneration of the Directors shall from time to time be determined by the Company in General Meeting. The Directors may also be paid all travelling, hotel and other expenses properly incurred by them in attending or returning from meetings of the Directors or any committee of the Directors or General Meetings of the Company or in connection with the business of the Company.

(iii) A Director may hold any other office or place of profit under the Company (other than the office of Auditor) in conjunction with his office of Director for such period and on such terms (as to remuneration and otherwise) as the Company in General Meeting may from time to time determine and no Director or intending Director shall be disqualified by his office from contracting with the Company either with regard to his tenure of any such office, or place of profit, or as vendor, purchaser or otherwise, nor shall any such contract, or any contract or arrangement entered into by or on behalf of the Company in which any Director is in any way interested, be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company for any profit realised by any such contract or arrangement by reason of such Director holding that office or of the fiduciary relationship thereby established. Any Director may act by himself or his firm in a professional capacity for the Company (other than as Auditor) and he or his firm shall be entitled to remuneration for professional services as if he were not a Director.

(iv) Save as otherwise provided, a Director shall not vote in respect of any contract or arrangement or any other proposal whatsoever in which he has any material interest otherwise than by virtue of his interests in shares or debentures or other securities of or otherwise in or through the Company. A Director shall not be counted in the quorum at a meeting in relation to any resolution on which he is debarred from voting. The Company may, subject to certain restrictions set out in the Bye-Laws, by resolution suspend or relax the provisions of this paragraph to any extent or ratify any transaction not duly authorised by reason of a contravention thereof.

(v) Every Director of the Company shall be indemnified by the Company against all costs, losses and expenses which he may incur or become liable to by reason of any contract entered into, or act or thing done by him as a Director of the Company, or in any way in the discharge of his duties, and the amount for which such indemnity is provided shall immediately attach as a lien on the property of the Company, and have priority as against the shareholders over all other claims.

(vi) There is no age limit for Directors.

(b) Borrowing Powers

(i) The Directors may exercise all the powers of the Company to borrow money and to mortgage or charge all the undertaking and property of the Company (including its uncalled capital) or any part thereof and to issue debentures, bonds, notes and other securities, whether outright or as security for any debt, liability or obligation of the Company or otherwise.

(ii) The Directors shall restrict the borrowings of the Company and exercise all voting or other rights or powers of control exercisable by the Company in relation to its subsidiary companies (if any) so as to secure (so far as regards subsidiaries as by such exercise they can secure) that the aggregate amount for the time being remaining outstanding of all money borrowed by the Company and its subsidiaries for the time being and for the time being owing to persons other than the Company and its subsidiaries computed as provided in the Bye-Laws, shall not, without the previous sanction of the Company in General Meeting, at any time exceed an amount equal to the greater of:—

(a) one and one-half times the Adjusted Capital and Reserves (as that expression is defined in the Bye-Laws); and

(b) U.S.$ 50 million.

(c) Meetings of Shareholders

(i) The Annual General Meeting of the Company shall be held at least once in every calendar year and a notice of such meeting shall be given by mail, telex or cable to each shareholder at his address shown in the Register, at least 21 days before the meeting takes place, stating the time, date and place and, so far as practicable, the objects of the meeting.

(ii) The Directors may convene a Special General Meeting of the Company whenever in their judgement such a meeting is necessary and such meeting shall be convened by notice in like manner as the Annual General Meeting at least 14 days before the meeting takes place.

(iii) At any General Meeting of the Company not less than three shareholders present either in person or by proxy shall form a quorum for the transaction of business and, if a quorum does not assemble within half an hour after the time appointed for the meeting, the meeting may be adjourned to a future date.

(d) Votes of Members

At any meeting of the Company on a show of hands each shareholder present in person shall be entitled to one vote and on a poll each shareholder shall be entitled to one vote for each Share held by him, but no shareholder shall be entitled to vote at any meeting unless he has paid all calls which are due upon the Shares held by him. On a poll, votes may be given in person or by proxy. Any proxy must be a shareholder of the Company.

(e) Variation of Rights Attaching to Shares

If at any time the share capital is divided into different classes of shares, the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class) may, whether or not the Company is being wound up, be varied with the consent in writing of the holders of three-quarters of the issued shares of that class or with the sanction of a resolution passed at a separate General Meeting of the holders of one-third of the shares of that class by a majority of three-fourths of such holders voting in person or by proxy.

3. Fees and Expenses

The Company will pay its preliminary expenses of U.S.$2,000 and will also bear the expenses incurred in connection with the issue, including fees to professional advisers, capital and stamp duties, the costs of printing and advertising and of the Receiving Bankers, the commissions mentioned in paragraph 4 below and the costs of the listing of the Shares on The Stock Exchange, estimated at a total of U.S.$2.35 million, which will be amortised over the next two years.

4. Agreement with Cazenove & Co.

Cazenove & Co. have agreed, subject to the whole of the issued share capital of the Company being admitted to the Official List, to procure subscribers for and in default thereof to subscribe the issue. The Company will pay to Cazenove & Co. a commission in U.S. dollars of 2¼ per cent. of the issue price. Out of such commission Cazenove & Co., on behalf of the Company, will pay commissions of 1¼ per cent. on the issue price of the 3,250,000 Shares for which firm applications are made and an underwriting commission of 1¼ per cent. on the issue price of the remaining 3,250,000 Shares. In addition, Cazenove & Co. will receive a fee of U.S.$275,000 for their advice and services to the Company in connection with the issue, out of which they will pay their own expenses.

The Agreement contains warranties and indemnities in favour of Cazenove & Co. by The Mercantile Investment Trust p.l.c., Witan Investment Company p.l.c., Equity & Law Life Assurance Society Limited and Frobisher Fund N.V. Such shareholders have also given indemnities in favour of the Company in respect of the taxation position of the Company and of Newcastle. The Agreement also contains undertakings by such shareholders in favour of Cazenove & Co. that they will not dispose of any Shares held by them at the date of this document, or acquired pursuant to firm applications, within twelve months of the date of the Agreement without the prior written consent of Cazenove & Co.

5. Material Contracts

The following contracts (not being contracts in the ordinary course of business) have been entered into by the Company and/or its subsidiaries and are, or may be, material:—

(a) an agreement dated 2nd December, 1981 and made between the Company (1), The Mercantile Investment Trust p.l.c., Witan Investment Company p.l.c., Equity & Law Life Assurance Society, Limited and Frobisher Fund N.V. (2) and Cazenove & Co. (3) being the agreement described in paragraph 4 above;

(b) an agreement constituted by an exchange of letters dated 27th November, 1981 between the Company and Mr. T. F. Walkowicz, Mr. George L. Sing, Dr. Robert G. Loewy and Dr. Ivan E. Sutherland, whereby, conditionally upon the issue taking place, AT-Bermuda will be constituted on the terms of the Preliminary Offering Memorandum referred to therein and the Company will subscribe U.S. $6 million for its interest as a Special Partner;

(c) an agreement described in a memorandum dated 27th November, 1981 whereby the Company acquired the investments in Evans & Sutherland Computer Corporation, Ocean Data Systems Inc., Imed Corporation, and Diasonics Inc. described in "Existing Portfolio—The Company" above and interests in Tele/Resources Inc. from Newcastle for a consideration of U.S.$4,961,500 payable in cash, which amount remains outstanding on inter-company loan account and will be satisfied out of the proceeds of the issue;

(d) an agreement described in a memorandum dated 27th November 1981 whereby Newmarket Venture Capital acquired the investment in Space-Time Systems Limited described in "Existing Portfolio—Newmarket Venture Capital" above from Newcastle for a consideration of U.S.$354,680 payable in cash, which amount remains outstanding on inter-company loan account and will be satisfied out of the proceeds of the issue;

(e) an agreement constituted by an exchange of letters dated 27th November, 1981 between the Company and King's College, Cambridge providing for the financing and operations of New Cambridge upon the terms summarised elsewhere in this document; and

(f) an agreement constituted by an exchange of letters dated 27th November, 1981 between Newcastle and Venrock whereby it was agreed that, in consideration of Venrock introducing investments to Newcastle, Newcastle should contribute towards the expenses incurred by Venrock in evaluating investment opportunities or closing and susequently monitoring investments introduced to Newcastle by Venrock and that Venrock would be granted an option to subscribe at par 54,861 shares in Newcastle, the right to exercise such option being linked to the performance of investments made by Newcastle on the introduction of Venrock since 15th February, 1979. Any shares allotted to Venrock pursuant to the option will be allotted on terms that such shares will rank *pari passu* with the other shares in Newcastle for the time being in issue, in particular ranking for all dividends and other distributions paid or made on or after their respective dates of allotment and on terms that such shares will not be offered for redemption within a period of five years from their respective dates of allotment except in certain specified circumstances Venrock is under no obligation to inform Newcastle of available opportunities in the venture capital field now or in the future.

The terms of the option are such that Venrock has already subscribed 38,098 shares in Newcastle. The remaining 16,763 shares in Newcastle the subject of the option will be available for subscription by Venrock if the net asset value of Newcastle (calculated in accordance with the provisions of the letter) shall for a continuous period of 90 days expiring not later than the seventh anniversary of the date of the letter exceed U.S.$10,806,911.

Newcastle will pay to Venrock an amount equal to six per cent. of the gross amount invested by Newcastle on or after 1st January, 1981 in any investment introduced to it by Venrock (an "Introductory Fee"). In addition Newcastle will pay to Venrock a quarterly fee of whichever is greater of:—

(i) 0.75 per cent. of an aggregate amount equal to the value (determined in accordance with the letter) of the investments held by Newcastle and introduced by Venrock (but excluding any investments made within one year of the relevant quarterly valuation date and deducting from such value an amount equal to 6 per cent. of the cost of such excluded investments) plus any uninvested cash realised from the sale of any investments introduced by Venrock to Newcastle; and

(ii) U.S. $40,000 less any Introductory Fee paid by Newcastle to Venrock during the relevant quarter.

Venrock is under no obligation to inform Newcastle of available opportunities in the venture capital field now or in the future.

6. Major Shareholders

The following table sets out details of the number of Shares in issue at the date of this document held by each of the existing shareholders, the number of additional Shares for which such shareholders will make firm applications and the total number of Shares and the percentage of the equity which will be held by such shareholders following the issue:—

Shareholder	*Number of existing Shares held*	*Number of Shares for which firm application will be made*	*Total number of Shares held following the issue*	*Percentage of the equity following the issue*
The Mercantile Investment Trust p.l.c.	2,250,200	—	2,250,200	16.84%
Witan Investment Company p.l.c.	2,143,020	—	2,143,020	16.04%
Equity & Law Life Assurance Society, Limited	1,285,860	114,140	1,400,000	10.48%
Frobisher Fund N.V.	428,560	46,440	475,000	3.56%
Kuwait Investment Office	600,000	2,080,000	2,680,000	20.06%
London Trust Company, Limited	150,000	50,000	200,000	1.50%

Kuwait Investment Office acquired 600,000 Shares and London Trust Company, Limited acquired 150,000 Shares from The Mercantile Investment Trust p.l.c. on 30th November, 1981 in each case at the issue price. Both these investors have undertaken to Cazenove & Co. not to dispose of any Shares held by them at the date of this document, or acquired pursuant to firm applications, prior to 31st December, 1982 without the prior written consent of Cazenove & Co.

7. Directors' and Other Interests

(a) Each Director is the registered holder of one Share in the Company, in order that he may be qualified to act as a Director of the Company, such Shares being beneficially owned by Frobisher Fund N.V. No Director has any beneficial interest in the Shares of the Company. Mr. A. B. Henderson, Mr. L. Breckenridge, Mr. C. F. G. Heward, Mr. P. J. Smith and Mr. D. M. Wentworth-Stanley intend to apply for a total of 14,500 Shares at the issue price, such Shares being included in the total of 3,250,000 Shares for which firm applications will be made. The Directors will not receive any commission in respect of their firm applications.

(b) All the Directors of the Company are Directors of Newcastle which on 27th November, 1981 disposed of the investments, particulars of which are set out under "Existing Portfolio—The Company" above, and of its interests in Tele/Resources Inc. to the Company for a consideration of U.S.$4,961,500 and which on the same date disposed of its investment in Space-Time Systems Limited to Newmarket Venture Capital for a consideration of U.S.$354,680. Newcastle acquired its investment in Space-Time Systems Limited on 14th August, 1981 for a consideration of U.S.$354,680.

(c) Save as disclosed above, no Director has, or has had within two years preceding the date of this document, any interest, direct or indirect, in any assets which have been or are proposed to be acquired or disposed of by the Company or any other member of the Group. No Director has, or has had within the two years preceding the date of this document, any interest, direct or indirect, in any assets which have been or are proposed to be leased to the Company or any other member of the Group.

(d) There are no service contracts in existence between the Company or any other member of the Group and any Director, nor are any such contracts proposed. No emoluments were paid to the Directors of Newcastle in respect of the year ended 31st December, 1980 or will be paid to the Directors of the Company or the Directors of Newcastle in respect of the year ending 31st December, 1981. It is estimated that for the year ending 31st December, 1982 the aggregate emoluments of the Directors of the Company will be U.S.$44,000.

(e) Mr. P. J. Smith is a partner in Cazenove & Co., who will be receiving a fee and a commission in connection with the issue as detailed in paragraph 4 above.

(f) Mr. J. D. Campbell and Mr. I. Hilton are partners in Appleby, Spurling & Kempe, legal advisers to the Company in Bermuda, who will receive a fee for their services in connection with the issue. In addition, Appleby, Spurling & Kempe will receive an annual fee of U.S.$7,750 in respect of Mr. J. D. Campbell's services as Secretary of the Company and of Newcastle.

(g) Mr. J. R. Talbot is a Manager-Trust of The Bank of Butterfield Executor & Trustee Company Limited, the Registrars and Bermuda Transfer Agent of the Company, which will be receiving a fee for its services as Registrars and Bermuda Transfer Agent.

(h) Mr. A. B. Henderson, Mr. J. D. Campbell, Mr. P. J. Smith, Mr. J. R. Talbot and Mr. G. P. Ledeboer are Managing Directors of Frobisher Fund N.V., an open-ended investment trust registered in the Netherlands Antilles.

(i) Save as disclosed above, no contract or arrangements subsists at the date of this document in which a Director is materially interested and which is significant in relation to the business of the Company and its subsidiaries, taken as a whole.

8. General

(a) Save as disclosed in this document, no capital of the Company or any other member of the Group is under option or agreed conditionally or unconditionally to be put under option and no capital of the Company or any other member of the Group has been issued for cash or other consideration during the two years preceding the date of this document nor is any proposed to be so issued.

(b) No material issue of shares of the Company (other than to shareholders *pro rata* to their existing holdings) will be made within one year of the date of this document without the prior sanction of the Company in General Meeting and, in any event, no issue will be made which would effectively alter the control of the Company without the prior approval of the Company in General Meeting. The Company has undertaken to The Stock Exchange to obtain the consent of the shareholders in General Meeting prior to issuing any securities with an equity element for cash other than to shareholders *pro rata* to their existing holdings.

(c) Save as disclosed in this document, no commissions, discounts, brokerages or other special terms have been granted in the two years preceding the date of this document in connection with the issue or sale of any capital of the Company or any other member of the Group.

(d) The Directors are not aware of any litigation or claim of material importance pending or threatened against the Company or any other member of the Group.

(e) Save as disclosed in this document, no amount or benefit has been paid or given, or is intended to be paid or given, to any promoter of the Company.

(f) Neither the Company nor any other member of the Group:—

(i) has any interest in any land (freehold or leasehold); or

(ii) has any employees.

(g) The Company has not established and does not intend to establish a place of business in the United Kingdom.

(h) The following transactions are relevant for the purposes of paragraph 9(1)(c) of the Fourth Schedule to the Companies Act, 1948 of Great Britain:—

(i) pursuant to an agreement dated 11th September, 1980, Newcastle acquired 5,000 shares of common stock of Imed Corporation at a price of U.S.$250,000. The agreement contains certain warranties and covenants in favour of Newcastle and Newcastle has given certain undertakings in connection with the United States Securities Legislation;

(ii) pursuant to an agreement dated 28th May, 1981, Newcastle acquired 6,000 shares of common stock in Diasonics Inc. at a price of U.S.$29.00 per share. Newcastle received the benefit of certain warranties and covenants under the terms of the agreement and also entered into certain undertakings with respect to compliance with the United States Securities Legislation; and

(iii) pursuant to an agreement dated 14th August, 1981 between the Directors of Space-Time Systems Limited, R & P Nominees Limited, Howard Trust Company, Limited and Newcastle, Newcastle applied for 100,000 preferred ordinary shares of £1 each in the capital of Space-Time Systems Limited at a price of £2 per share and received certain warranties from the Directors of Space-Time Systems Limited in consideration for so doing.

(i) The minimum amount which, in the opinion of the Directors of the Company, must be raised by the issue of the Shares now being offered for subscription in order to provide for the matters referred to in paragraph 4 of the Fourth Schedule to the Companies Act, 1948 of Great Britain is U.S.$14.36 million which is comprised as follows:—

(i) purchase price of property: U.S.$11.3 million;

(ii) preliminary expenses and commissions: U.S.$1.06 million;

(iii) repayment of moneys borrowed by the Company in respect of (i) or (ii) above: nil;

(iv) working capital: U.S.$2 million.

(j) The provisions of sections 50 and 51 of the Companies Act, 1948 of Great Britain (other than the penal provisions), so far as applicable having regard to section 419 of that Act, shall apply to the allotment of the Shares the subject of this document.

9. Consents

Coopers & Lybrand have given and have not withdrawn their written consent to the issue of this document with the inclusion herein of their Report in the form and context in which it is included.

10. Documents on Display

Copies of the following documents may be inspected at the offices of Slaughter and May, 35 Basinghall Street, London EC2V 5DB during usual business hours on any weekday (Saturdays and public holidays excepted) for a period of 14 days following the date of publication of this document:—

(a) the Companies (Incorporation by Registration) Act, 1970 of Bermuda;

(b) The Memorandum of Association and Bye-Laws of the Company;

(c) the financial statements of Newcastle for the two years ended 31st December, 1980 and the six months ended 30th June, 1981;

(d) the contracts described in paragraphs 5(a), (b), (e) and (f) above and memoranda giving full particulars of the transactions described in paragraphs 5(c) and (d) above;

(e) the consent and report of Coopers & Lybrand referred to above, together with the statement of adjustments relating thereto; and

(f) the filings of Evans & Sutherland Computer Corporation made with the United States Securities and Exchange Commission since 1st January, 1981.

Dated 2nd December, 1981

APPENDIX I

Further details of Evans & Sutherland Computer Corporation

The following information has been extracted from the annual report (Form 10-K) filed by Evans & Sutherland Computer Corporation with the United States Securities and Exchange Commission on 24th March, 1981:—

Business

Evans & Sutherland Computer Corporation (herein called the Company or E&S) was incorporated in Utah on May 10, 1968. The Company has only one line of business which is the design, manufacture, sale and service of special purpose digital computers. These computers are used in various commercial and scientific applications which require or are aided by visual presentations of a digital model stored in computer memory. Such high performance interactive computer graphic systems are used to generate three-dimensional pictures of various types and varying complexity on the face of a television-like cathode ray tube (CRT). By use of peripheral devices such as keyboards, light pens, interactive tablets and function switches an operator is allowed to create, change or otherwise interact with the digital models stored in the computer or the visual presentation of the digital model as presented on the screen. Such interactions include the changing of the size or shape of the picture, rotation of the picture about an axis, clipping away to eliminate part of the view or create cross section, or causing part or all of the image to move at real time in reaction to pre-programmed or fully interactive commands from the operator. The Company presently employs about 520 people.

The products sold by the Company rely on two basic underlying technologies: (1) creation of computer models of real world objects, and (2) display of computer generated images of such models. Although the Company uses other electronic techniques in the design and manufacture of its products, it considers itself to be at the leading edge of technology in these two important areas. Most of the Company's products are of two basic types: (1) visual simulation systems, used as a component in modern pilot training flight simulators, and (2) interactive graphic display systems used for computer-aided design, analysis, research and simulation. Visual simulation systems are used in complete pilot training flight simulators to generate a realistic three-dimensional true perspective scene of an airport or other appropriate training environments. E&S sells its visual simulation systems for pilot training almost exclusively to Redifon (see Note 1), a major worldwide supplier of complete flight simulators and visual simulation systems, whose ultimate holding company is Rediffusion Limited, a U.K. public company listed on The London Stock Exchange. Redifon, likewise, markets only E&S computer generated visual systems which are sold either separately or as part of Redifon's own complete flight simulators to airlines and pilot training service companies.

The Company has been cooperating with Redifon since 1973. In November 1975, the Company entered into a formal Collaboration Agreement with Redifon Simulation Ltd., to deal with each other exclusively for the sale and distribution of the E&S visual simulation systems for use in training operators of piloted vehicles. The agreement extends through July 1, 1988 and grants E&S the right to sell its visual simulation systems for uses other than training the operators of piloted vehicles. Currently, sales of simulation visual image systems are of three types. NOVOVIEW SP1 (see Note 2), is the lowest cost system currently offered. This system produces night and dusk scenes with some visible surfaces and objects modelled to give reality to the scene. NOVOVIEW SP2 systems add full daylight scenes to the SP1 capabilities at a higher price. Additionally, the Company offers CT5, a high-performance, high-price system which creates visually rich and realistic scenes. The first CT5 system will be delivered early in 1981 and orders for 3 additional systems have been received.

Most interactive systems made by E&S have been used in advanced engineering and research environments. Major customers are the design departments of large industrial corporations and scientific research facilities such as those at universities. These customers often supply their own host computer and applications software to perform a variety of functions such as analysis, simulation, engineering design and research calculations. The E&S systems maintain and modify the data base representing the computer models being built or modified and perform the functions required to produce a CRT display image. The use of such high performance, three-dimensional, interactive computer graphics is growing rapidly in computer-aided design and manufacturing (CAD/CAM) systems. E&S believes CAD/CAM represents a growing marketplace for such systems.

During 1980 the Company spent a significant portion of its R&D investment on the development of a new terminal product family which should appeal to the CAD/CAM market. The major research effort for development of the first product of this family, which will be named PS300, is concluded and the product should be introduced to the market by mid 1981.

Sales for the MULTI-PICTURE SYSTEM, the current principal product sold into the interactive systems market continue to be strong. Some major users are expected to continue to buy *MULTI-PICTURE SYSTEMS* after the introduction of the new product.

Since 1979, McDonnell Douglas has been an important factor in E&S's business. During 1980 they accounted for 15% of total sales volume. The MULTI-PICTURE SYSTEM currently accounts for nearly all of the sales of E&S graphics terminals to McDonnell Douglas. McDonnell Douglas is expected to continue to buy this product for some time.

Though no other customers are presently buying graphics systems in quantities approaching the McDonnell Douglas volume, other potentially large users are doing testing or development work on the Company's product. One or more of these customers may become volume users during 1981. No assurance can be given that any such potential purchaser will elect to utilize the products of the Company.

E&S concluded a contract in 1980 with Shape Data, Ltd., of Cambridge, England, to act as exclusive distributor for that organization's proprietary software products in the U.S. and Canada. The software is designed to aid engineers in the process of geometric modelling of objects. It is believed that this product, marketed under the trade name "ROMULUS" (see Note 3) may be sold to some of the same customers as the Company's graphics terminals. It is not anticipated that ROMULUS will have any major impact on the Company's sales volume during 1981.

On December 12, 1980 after several months of negotiations, the Company made a firm commitment to invest $3,000,000 in VLSI Technology Inc. (VTI) a start-up integrated circuit design and manufacturing firm located in Santa Clara, California. VTI's business plan calls for the Company to specialize in the design and fabrication of custom integrated circuits as specified by OEM customers. VTI will also sell design services including consulting and educational services for those OEM customers who wish to design their own circuits. At the time of the investment commitment and as a partial inducement to E&S to be a lead investor, E&S and VTI signed a separate agreement entitled, "Technology Transfer Agreement" under the terms of which E&S is assured of certain access to VTI services. Those arrangements include a right to up to 12% of VTI's plant capacity as well as a priority right to consulting and design services all at a market price. It is believed that access to these services will permit E&S to take advantage of significant cost/performance improvements in future generations of products to be designed and produced by the Company as a result of the availability of custom circuits.

Marketing of pilot training visual simulator systems is handled directly by Redifon under the terms of the Collaboration Agreement. E&S provides technical marketing support to Redifon and its subsidiaries or customers as requested.

Marketing of non-pilot training simulators and interactive graphic display systems is handled directly by Company sales personnel in the United States and Europe and by factory representatives in Japan and Australia.

The computer graphics industry is continuing to grow rapidly. E&S is marketing its products in two very specialized areas of that industry. In the pilot training area nearly all sales are to Redifon. Redifon's primary visual system competitors are the Singer Company, McDonnell Douglas Electronics Company and the General Electric Company. Redifon is the major world visual systems supplier in the civil airline business with about 75% of the market, but Redifon is a minor supplier in the military marketplace, where McDonnell Douglas Electronics Company, the Singer Company and the General Electric Company are the major suppliers. In the interactive graphics business, three other companies, Adage, Inc., Vector General, Inc., and Megatek, Inc. are the usual direct competitors of the Company. All three of these competitors are smaller than E&S.

Primary competitive factors are performance and price. E&S generally wins sales when performance requirements are primary but does not offer the lowest priced products. E&S is frequently called upon to enter into competitive benchmark presentations which have more often than not produced positive results for E&S. Competitors have occasionally shown better results when benchmarks stress some particular aspect of performance.

Sales to Redifon accounted for 65% of the Company's total business in 1980 and therefore, Redifon and its sales are very important to the Company. Relations between the companies are excellent. No major change in the marketplace jointly served is expected which would materially adversely affect the Company's business.

New FAA regulations covering pilot training were introduced in July of 1980. It appears that these new regulations have materially affected the market for simulator visual systems by causing airlines to order more expensive systems with more channels on the average than prior to introduction of the new rules. The substantial cost advantages of training in simulators instead of in airplanes may encourage some airlines to

(continued)

upgrade existing simulators to achieve approval for phase 2 certification under the new rules. Systems now on order and new orders reflect upward pressure on size, price and performance which we believe to be the result of the new rules. Our advanced technology level should allow the Company to take full advantage of any sales opportunity afforded by the new rules.

The Company has only one supplier for the display monitor for the MULTI-PICTURE SYSTEM, and only one supplier (but a different one) for the display monitor for the NOVOVIEW SP1. The Company believes that securing another outside supplier for the MULTI-PICTURE SYSTEM monitor would require approximately six months and for the NOVOVIEW SP1 would require approximately nine months. In order to reduce its dependence on continued timely delivery by these two suppliers, the Company (1) maintains an inventory of these display monitors and (2) has obtained licenses to manufacture each of these display monitors in the event the supplier does not deliver. The Company manufacturers its own color display for use with the NOVOVIEW SP2.

E&S owns six patents and is a licensee under several others developed principally at the University of Utah. Three patent applications are presently pending in the United States. One is pending in Japan and one is pending in several key European countries. The Company does not rely on, and is not dependent on patent ownership for its competitive position. Rather, the Company relies on its depth of technological expertise in the general area of computer graphics. Were any or all of its patents held to be invalid, management does not believe that the Company would suffer significant damage. E&S believes that it does not infringe any valid patents held by others.

Funding for research and development activities is derived from three different sources and accounted for accordingly. Sources of funds are: (1) Internally generated funds spent directly on research and accounted for as Research and Development expenses on Company operating statements. (2) Customer funded one-of-a-kind iterations of products based on existing technology but in a new configuration or specialized to a new application. (In this situation, the development funds provided by a customer are accounted for as a cost of sales.) (3) Occasionally the Company engages in direct development contracts. These may be one-of-a-kind projects or for the development of new products and are usually covered by fixed-price contracts with development treated as product cost of sales. Projects or developments of the latter type are generally entered into only when the results of such commitments will add significantly to the technology base of the Company. Because of the accounting treatment accorded development funding as defined in (2) and (3) above, the Company's total annual research and development substantially exceeds that shown as "Research & Development" on its financial reports. In 1980 R&D expenditures were approximately 12% of sales.

E&S believes that its facilities and operations are within standards fully acceptable to the Environmental Protection Agency and that all facilities and procedures are in accord with environmental rules and regulations according to Federal, state and local laws.

E&S believes that there is no seasonal pattern to its business. However, sales volume flutuates from month-to-month or quarter-to-quarter due to relatively large individual sales and the random nature of customer-established shipping dates.

The Company's backlog was $24,403,000 on December 26, 1980 compared with $13,527,000 on December 28, 1979 and $9,137,000 on December 29, 1978. Approximately 92% of the backlog will be delivered during fiscal 1981. It is the Company's normal practice to book backlog only upon receipt and acceptance of purchase orders and contracts. It should be recognized that booked orders may be changed or cancelled; however, the net effect of changes and cancellations has been minimal.

A significant amount of E&S sales volume is for foreign end-users. Although nearly all sales made to Redifon are to its U.S. subsidiary, those systems known by E&S to be ultimately installed outside the U.S. are considered as foreign sales for the purposes of this report. In order to take full advantage of this sales pattern the Company formed a wholly-owned subsidiary DISC corporation in November of 1980. Formation of the DISC resulted in a significant tax benefit in 1980 and is expected to provide a continuing benefit. Redifon sales classified as foreign sales plus direct sales of interactive graphic display systems to foreign customers comprised 28% of the Company's 1980 sales volume. No single foreign customer is deemed to be significant in the sense that the loss of such a customer's sales would have a materially adverse effect on the Company.

Properties

The Company's operations are essentially housed in the Research Park at the University of Utah where it currently leases approximately 142,000 square feet in three adjacent buildings. Most of this space is under a ten-year master lease expiring June 30, 1990. The Company estimates that it currently operates at approximately 2/3 of the overall potential capacity of the space. Because of the peculiarities of space distribution among internal groups within the Company, it may be necessary to acquire up to an additional 20,000 square feet of space for 1981 operations which it is believed will be available in the currently occupied buildings. In addition to the facilities in Research Park, the Company leases approximately 4,500 square feet in ten sales and service offices located outside Utah covered under various short-term lease agreements. The annual rental obligation of the Company for facilities identified approximates $773,500.

During 1980 the Company purchased approximately 46 acres of property in North Salt Lake, Utah at a cost of $1,401,400. The land is about 5 miles from the current location and borders two developing industrial parks with favorable access to utilities and transportation. Should the growth of the Company require the erection of manufacturing or other facilities separate from its present facilities and location, the Company is thus assured of adequate land space at a reasonable cost and a reasonable distance from its present facilities.

Legal proceedings

The Company is not aware of any legal proceedings to which it is a party, nor does it anticipate initiating any legal proceedings other than as may be required by its ordinary, routine business activities. Further, management is unaware of any contemplated legal proceedings against the Company.

Dividends

The Company has never paid a cash dividend on its Common Stock, retaining its earnings for the operation and expansion of its business. The Company intends for the foreseeable future to continue the policy of retaining its earnings to finance the development and growth of its business.

Notes

(1) Most of the Company's sales of visual simulation systems used in the training of pilots of aircraft and other vehicles are to Redifon Simulation Inc., a U.S. corporation, under a long-term agreement with a sister corporation, Redifon Simulation Ltd., a United Kingdom corporation. Both corporations are wholly-owned subsidiaries of Redifon. Ltd., a United Kingdom corporation, which in turn, is a wholly-owned subsidiary of Rediffusion Ltd., a publicly-traded United Kingdom corporation. Redifon Simulation Inc., and Redifon Simulation Ltd., are sometimes herein referred to collectively as "Redifon". The Company occasionally sells simulation systems for uses other than training of pilots directly to end-users or through other specialized prime contractors. Such sales represent a very small percentage of total simulator sales.

(2) NOVOVIEW SP1 and NOVOVIEW SP2 are registered trademarks of Redifon Simulation Ltd. PICTURE SYSTEM 2 and MULTI-PICTURE SYSTEM are registered trademarks of Evans & Sutherland Computer Corporation.

(3) ROMULUS is a registered trademark of Shape Data, Ltd.

Selected Financial Data

(Dollars in thousands except per share amounts)

Selected Earnings Statements Data:

	53 Weeks Ended	52 Weeks Ended			
	Dec. 31, 1976	Dec. 30, 1977	Dec. 29, 1978	Dec. 28, 1979	Dec. 26, 1980
	$	$	$	$	$
Net Sales	6,400	8,468	12,999	20,028	34,673
Earnings from Operations	694	1,499	3,098	3,999	9,870
Earnings from Continuing Operations before Extraordinary Credit	414	834	1,720	2,379	6,126
Extraordinary Credit(2)	182	—	—	—	—
Net Earnings	596	834	1,720	2,379	6,126
Per Share Earnings—Fully-Diluted (3) (4)					
Earnings from Continuing Operations	0.27	0.53	0.79	0.95	2.27
Net Earnings	0.39	0.53	0.79	0.95	2.27

Selected Balance Sheets Data:

	Dec. 31, 1976	Dec. 30, 1977	Dec. 29, 1978	Dec. 28, 1979	Dec. 26, 1980
	$	$	$	$	$
Current Assets	3,829	5,692	11,685	14,886	35,890
Current Liabilities	1,485	2,251	3,519	5,385	11,270
Working Capital	2,344	3,441	8,166	9,501	24,620
Total Assets	4,431	6,534	12,661	16,947	41,359
Long Term Debt(5)	—	—	—	—	1,187
Stockholders' Equity	2,946	4,284	9,142	11,561	28,902

(1) The Company's fiscal year ends the last Friday in December. Each year presented comprised 52 weeks, except 1976, which has 53 weeks.

(2) Extraordinary credit represents income tax benefit from utilization of operating loss carry forwards.

(3) Fully-diluted earnings per share computations are based on the weighted average number of common shares and common equivalent shares outstanding during each period, after giving affect to the assumption that all dilutive stock options and warrants were exercised at the beginning of the period or date of grant with the proceeds therefrom being used to acquire treasury shares at year-end market prices.

(4) 1976 through 1979 per share earnings have been appropriately adjusted to reflect the stock split effected in the form of a 100% stock dividend paid April 11, 1980, to shareholders of record on March 14, 1980.

(5) Long Term Debt is made up of two elements. The first being for $979,800 and represents the long term portion of the mortgage payable incident to the North Salt Lake land purchase. Final settlement of this commitment is in 1985. The second element is a long term capital obligation of $248,568 pertaining to several capital equipment leases. This obligation is gradually satisfied with monthly payment instalments into 1985.

The following is the text of the chairman's report for the third quarter of 1981 ended on 25th September, 1981:—

The 3rd Quarter of 1981 ended on Friday, September 25. With three-fourths of the year over, we are happy to report continuing record sales and profits.

Sales for the quarter were $11,534,000 compared with $9,655,000 for the same quarter of 1980. Profits were $2,556,000 or $0.29 per primary share, compared with $1,690,000 or $0.20 per primary share for the 3rd Quarter of last year.

The 9 months' sales were $32,723,000 compared with $27,074,000 for last year, and profits were $0.72 per share compared with $0.56 per share last year.

All per share figures have been adjusted to reflect the 3 for 1 split which was effective June 9 of this year and also reflect the additional average shares outstanding as a result of the offering of shares on June 19 of 1980.

We continue to be pleased with operating results. We are especially gratified at these results in view of the continuing unfavourable economic circumstances we see reported in the press. Many companies have had to down-grade earnings estimates during the past few months.

Though we do not feel compelled to make any such adjustment at this point, we are aware that a worsening economic situation or elimination from the federal budget of certain military programs for which we are suppliers could adversely affect future business.

Although the poor economic condition of the airline industry has delayed the purchase of both airplanes and simulators, the Company's pilot training visual simulator business continues strong because of sales outside the airline industry.

There is encouraging interest in the Company's new PS300 graphics terminal, for which delivery has just begun.

Final negotiations for the acquisition of Shape Data Ltd. are expected to be completed shortly.

We appreciate the continued support of the investment community.

Sincerely,
David C. Evans
Chairman of the Board :
President

SUMMARY STATEMENT OF OPERATIONS
Unaudited

	3 Months Ended		9 Months Ended	
	Sept. 25 1981	Sept. 26 1980	Sept. 25 1981	Sept. 26 1980
Sales	$11,534,000	$9,655,000	$32,723,000	$27,074,000
Income before Taxes	$ 4,457,000	$3,103,000	$11,441,000	$ 8,396,000
Provisions for Taxes	$ 1,901,000	$1,412,000	$ 5,149,000	$ 3,999,000
Net Income	$ 2,556,000	$1,690,000	$ 6,293,000	$ 4,397,000
Average Number of Shares Outstanding	8,696,967	8,564,628	8,697,163	7,874,835
Net Income per Share	$0.29	$0.20	$0.72	$0.56

CONDENSED BALANCE SHEET
Unaudited

	Sept. 25, 1981	Sept. 26, 1980
Assets		
Current Assets	$38,767,000	$32,229,000
Fixed Assets (Net)	$ 5,772,000	$ 2,878,000
Other Assets	$ 623,000	$ -0-
	$45,162,000	$35,107,000
Liabilities and Stockholders' Equity		
Current Liabilities	$ 8,509,000	$ 8,697,000
Long-Term Debt	$ 1,294,000	$ -0-
Stockholders' Equity	$35,359,000	$26,410,000
	$45,162,000	$35,107,000

For purposes of comparison, all shares outstanding and income per share figures have been appropriately adjusted to take into account the effects of a 100% stock dividend issued April 11, 1980 to shareholders of record as of March 14, 1980 and a 200% stock dividend issued June 9, 1981 to shareholders of record as of May 26, 1981.

Additional information on Evans & Sutherland Computer Corporation is as follows:—

Directors

Dr. D. C. Evans—Co-founder, President and Chairman
Dr. I. E. Sutherland—Co-founder, affiliated with Sutherland, Sproul and Associates
Mr. C. H. Borman—retired, former general partner in Venrock Associates
Mr. W. R. Hambrecht—Partner in Hambrecht & Quist
Mr. W. S. Robertson—Chief Executive Officer and Chairman of Rediffusion Simulation Ltd.
Mr. P. O. Crisp—President of Venrock Inc. and general partner in Venrock Associates
Mr. T. F. Walkowicz—Chairman and President of American Fund Advisors Inc.
Mr. J. W. N. Yeomans—Managing Director of Rediffusion Simulation Ltd.

Proposed Acquisition

The Company is proposing to acquire Shape Data Limited, a United Kingdom company engaged in the development, marketing and servicing of general-purpose computer software products for use primarily in computer-aided design and manufacturing systems. The consideration will be 82,000 shares in Evans & Sutherland Computer Corporation.

Substantial Shareholdings and Management Interests

The following table sets forth as of April 6, 1981 the name of each person who owned of record or was known by the Company to own beneficially more than 5 per cent. of the outstanding shares of the Company's Common Stock, and of all Officers and Directors as a group (adjusted for the stock split effected in the form of a 200 per cent. stock dividend paid June 9, 1981).

Name	Shares Beneficially Owned	Per cent. of Class
Newmarket Company Limited	1,200,000	13.7%
Redifon Simulation Inc.	1,200,000	13.7%
David C. Evans	546,687	6.3%
All Officers and Directors (13 Persons including David C. Evans)	1,245,759	14.2%

Record of Share Prices

Since the initial public offering of the Company's Common Stock on September 7, 1978, it has been traded in the Over-The-Counter Market under the NASDAQ symbol ESCC. The following table sets forth the range of the closing bid prices of the stock for the calendar quarters indicated, as reported by NASDAQ. The quotations represent prices in the Over-The-Counter Market between dealers in securities, do not include retail mark-up, mark-down or commission and do not necessarily represent actual transactions.

	High Bid U.S.$	Low Bid U.S.$
1979		
First Quarter	4½	4⅛
Second Quarter	4⅝	4¼
Third Quarter	5	4¼
Fourth Quarter	7	4½
1980		
First Quarter	8¾	5⅞
Second Quarter	12½	6½
Third Quarter	23½	11½
Fourth Quarter	27½	20
1981		
First Quarter	24½	18
Second Quarter	30	24⅝
Third Quarter	32	23½
to 25th November	34	25

Figures contained in the above table, where appropriate, have been adjusted to reflect stock splits effected in the form of 100% stock dividend paid April 11, 1980 and a 200% stock dividend paid June 9, 1981.

The filings of Evans & Sutherland Computer Corporation made with the United States Securities and Exchange Commission since 1st January, 1981 will be on display as mentioned under "Statutory and General Information" above.

APPENDIX II

Further Particulars of the Arrangements concerning AT-Bermuda

Partnership arrangements and capital

AT-Bermuda will have two classes of partner: Special and General. Special Partners will provide most of the capital while General Partners will be responsible for management. Special Partners will put up their capital in AT-Bermuda as and when required, with 25 per cent. of each Special Partner's capital contribution being subscribed immediately and a further 25 per cent. on each of three subsequent dates upon not less than 60 days' prior written notice. The aggregate capital contributions of the General Partners will be equal to one per cent. of the aggregate contributions of the Special Partners. For a period of twelve months following the date on which the first Special Partner shall have made its initial contribution the General Partners may increase the aggregate of the committed capital of the partnership to not more than U.S.$15 million either by admitting additional Special Partners or accepting additional capital contributions from previously admitted Special Partners. Prior to the admission of any new Special Partners all previously admitted Special Partners will be given the opportunity to increase their capital contributions to the partnership.

Management

The General Partners will be solely responsible for the overall management and supervision of AT-Bermuda and will enter into a management agreement with W-K Associates (the "Manager"), authorising the Manager to manage AT-Bermuda's investments. Special Partners will take no part in the management of the partnership. The partners of the Manager are and the General Partners of AT-Bermuda will be:—

T. F. Walkowicz— Aged 61, Mr. Walkowicz is currently Chairman, President and Chief Executive Officer of American Fund Advisors, Inc. and President, National Aviation & Technology Corporation. He was formerly a general partner in Venrock and his public appointments have included acting as consultant to the Special Assistant to the President of the United States on disarmament 1955-58.

George L. Sing— Aged 32, Mr. Sing is a former Planning and Budget Co-ordinator, Information Systems, Exxon Enterprises Inc. and his activities in the venture capital field have included the identification and evaluation of investment opportunities in the information and communication systems sector. From 1976 to 1977 he was a management consultant with Cresap, McCormick & Paget.

Dr. Robert G. Loewy— Aged 55, Dr. Loewy is currently Institute Professor at Rensselaer Polytechnic Institute and holds numerous consultancy appointments in the aeronautical engineering industry. In the public sector, he is Vice-Chairman of the NASA Advisory Council and a former chairman of the NASA Aeronautics Advisory Committee. His numerous publications include works on VTOL aircraft and helicopters.

Dr. Ivan E. Sutherland— Aged 43, Dr. Sutherland was a Professor, Department of Computer Science, California Institute of Technology and is currently a consultant to Evans & Sutherland Computer Corporation (of which he is also a Director) and Xerox Corporation. His major research interests include computergraphics and large scale integrated circuits design and he has many publications in these areas.

Albert E. Paladino— Aged 49, Mr. Paladino is currently Deputy Director, Office of Energy Programs, National Bureau of Standards, United States Department of Commerce. His former positions include Assistant Director, Telephone Operations Technology Center, General Telephone & Electronics Laboratories and Manager of Materials Program, United States Congress Office of Technology Assessment.

Ralph J. Nunziato— Aged 61, Mr. Nunziato is President, Chief Operating Officer and Director of Rodenstock Instruments Corporation. He was formerly associated with Laurance S. and David Rockefeller and is a former Assistant Manager, New Investments Department, Exxon Corporation.

The Manager will be assisted by a Board of Advisors consisting of:—

Vernon Grant Crudge, O.B.E. Mr. Crudge is an aviation consultant in New York, who began his career with Imperial Airways Limited (later to become B.O.A.C.). He is a director of the Flight Safety Foundation, a member of the American Institute of Aeronautics and Astronautics, The Institute of Transport, London and the American Meteorological Society.

General Bernard A. Schreiver, D.S.M., U.S.A.F. (retd.)— General Schreiver headed all U.S. Air Force space development programmes from 1954 to 1966. He is currently on the board of several public corporations, including Eastern Airlines Inc.

Dr. Edward Teller, Ph.D.— Dr. Teller is a senior research fellow at the Hoover Institute of Stanford University. He has received many awards for his pioneering work in nuclear physics.

William G. Maloney— Mr. Maloney is a senior Managing Director of Shearson Loeb Rhoades Inc., New York investment bankers.

The Rt. Hon. Lord Keith— Lord Keith is Chairman of Philip Hill Investment Trust p.l.c., Vice-Chairman of Beecham Group p.l.c., a Director of Standard Telephones & Cables p.l.c. and of The Bank of Nova Scotia. He was formerly Chairman of Hill Samuel & Co. Limited and of Rolls-Royce Limited.

Investment Policy

It will be the objective of the Manager to spread AT-Bermuda's risk over several investments in high technology ventures with the eventual combined position of AT-Bermuda and Advanced Technology generally ranging between U.S.$250,000 and U.S.$2 million per investment. Investments will be made in securities with equity characteristics and board representation will be sought where outright control of a particular company is not obtained. It is expected that investments by AT-Bermuda and Advanced Technology will be made on a *pari passu* basis in proportion to their respective subscribed capitals, except where the nature of the investment precludes ownership by a foreign entity, where currency restrictions preclude such investment or where the prior consent of the Board of Advisors has been obtained.

Distributions and allocation of profits and losses

Distributions may be made only out of assets recommended for distribution by the General Partners. It is intended that any net gains arising from the disposal of venture capital investments will be distributed and will not be reinvested. Although not obliged to do so, in each of the eighth and ninth years the General Partners will use their best efforts to return 25 per cent. of each Special Partner's capital contribution out of profits available for distribution, with the remainder being returned upon the liquidation of AT-Bermuda. *Pro rata* distributions in securities of portfolio companies may be made before the eighth year at the discretion of the General Partners, upon consultation with the Board of Advisors, only if there is a public market for such securities and if, in the judgment of the General Partners, the operation of the partnership will not be harmed by such distribution. The General Partners are also required to consult the Board of Advisors before making any distributions prior to the eighth year of the partnership term.

All profits and losses will be allocated *pro rata* to the capital accounts of the General Partners and the Special Partners in accordance with their respective sharing ratios to the extent that the sum of the net amounts standing to the credit of the Special Partners in their respective capital accounts plus any distributions made to them is less than 200 per cent. of the total capital contributions of the Special Partners. At all other times all profits and losses shall be allocated 80 per cent. to the Special Partners and General Partners in accordance with their respective sharing ratios and 20 per cent. to the General Partners. The sharing ratio of each Partner is calculated by reference to its capital contribution.

Reports and valuations

Special Partners will be furnished with an annual financial report, including a balance sheet and a statement of the results of operations for each year, which will be audited by an internationally recognised firm of independent public accountants. In addition quarterly reports, containing unaudited financial statements, descriptions of new investments, a review of existing investments and a current valuation of the partnership's investments will be provided to the Special Partners. The fiscal year of AT-Bermuda will end on 31st December.

For all purposes requiring a valuation of assets, unrestricted securities listed on one or more recognised securities exchanges will be valued at the last sales price on or prior to the date of valuation on the exchange representing the principal market for such securities. Unrestricted securities traded in the Over-The-Counter Market will be valued at the average of the mean between the high and low "bid" prices, as quoted by the National Quotation Bureau, Inc., on the day of valuation and the four preceding trading days or at a discount from such average if marketability is limited by the amount of securities relative to trading volume. All other securities will be valued by the General Partners or the Manager at fair market value, taking into account such factors as cost, the price obtainable in private third party transactions, discounts from market price appropriate to publicly traded securities subject to restrictions on transfer, the absence of a public market and such other factors as the General Partners or the Manager in good faith may determine. All valuations will be subject to approval by the Board of Advisors which may increase or decrease any valuation as it determines in its best judgment.

Termination

AT-Bermuda may be terminated on or after the eighth year after its formation, and unless its term is extended it will terminate on 17th July, 1990. The maximum term of AT-Bermuda is fourteen years from the date of its formation. Any termination prior to 17th July, 1990, or extension beyond that date, requires the consent of the General Partners and of Special Partners representing 66⅔ per cent. of the aggregate capital contributions of the Special Partners. In addition, AT-Bermuda will terminate upon the retirement, death or insanity of any of the General Partners unless the remaining General Partners agree that it shall be continued.

Fees and expenses

AT-Bermuda will pay to the Manager a quarterly management fee based upon the total value of the assets of AT-Bermuda at the end of the preceding quarter. The quarterly management fee will be equal to one per cent. of the value of such assets up to U.S.$5 million, 0.5 per cent. of the amount by which such value exceeds U.S.$5 million (but is no greater than U.S.$20 million), 0.375 per cent. of the amount by which such value exceeds U.S.$20 million (but is no greater than U.S.$40 million) and 0.25 per cent. of the amount by which such value exceeds U.S.$40 million. Subject to the prior consent of the Board of Advisors, the fee may be adjusted annually in an amount equal to the annual percentage change in the United States All Urban Consumer Price Index after 1st January, 1981. AT-Bermuda will also reimburse the Manager for the fees and expenses of the Board of Advisors and for the Manager's organisational, administrative and out-of-pocket expenses attributable to AT-Bermuda. To the extent the Manager receives fees (other than directors' fees) for its services or the services of Mr. T. F. Walkowicz from companies in which the partnership invests, such fees will be applied in reduction of the annual management fee payable to the Manager by the partnership.

Each member of the Board of Advisors will receive a quarterly fee of U.S.$2,000 plus U.S.$500 for each meeting attended.

Conflicts of interest

The approval of a majority of the Board of Advisors will be required for certain transactions where potential conflicts of interest could develop between AT-Bermuda, the General Partners or other funds organised or managed by the General Partners. Such approval will be required for:—

1. the valuation of individual investments of AT-Bermuda;
2. co-investment under certain circumstances by AT-Bermuda and Advanced Technology when such investment is not on a *pari passu* basis;
3. adjustments to the annual management fee to reflect changes in the All Urban Consumer Price Index; or
4. registration (should it be required by law) of AT-Bermuda as an investment company.

The General Partners and members of the Board of Advisors will be permitted to invest their own funds (i) in companies in which AT-Bermuda invests but only on terms no better than those available to AT-Bermuda and after AT-Bermuda and Advanced Technology and any other major co-investing venture capital investors have secured their desired investment positions and where additional investor opportunities exist, and (ii) in other companies, subject to their respective fiduciary obligations to AT-Bermuda.

Transfers of interest

Subject to obtaining the prior approval of the Bermuda Controller of Foreign Exchange to the proposed transferee a Special Partnership interest may be transferred to any person previously approved by the General Partners. No such approval is required in the case of a transfer to another Special Partner. Special Partners may not assign, pledge or otherwise transfer all or any part of their interest in the partnership or enter into any agreement under which any other person becomes interested in the partnership without the General Partners receiving an acceptable legal opinion as to the legality of the assignment, pledge, transfer or agreement in question.

Amendments

Amendments to the partnership agreement may be proposed by General Partners or Special Partners whose interests represent at the time at least 10 per cent. of the aggregate capital contributions of the Special Partners or whose initial contribution to the partnership is at least U.S.$500,000. The General Partners will submit any such proposed amendment to all the Special Partners and if, within such reasonable period of time as may be specified in such proposal, Special Partners whose interests represent at the time more than two-thirds of the aggregate capital contributions of the Special Partners shall have given their written consent thereto; the proposed amendments will become effective as at the date specified in the proposal. The General Partners may, without prior notice to or consent from any Special Partners, amend any provision of the partnership agreement (i) to add any further restrictions or provisions for the protection of Special Partners; (ii) to resolve any ambiguity in, or to correct or supplement any provisions of, the partnership agreement or the Management Agreement in regard to matters which shall not adversely affect the interests of the Special Partners; or (iii) to admit additional Special Partners in the circumstances referred to in "Partnership arrangements and capital" above or additional General Partners. Notwithstanding the foregoing, any amendment to the partnership agreement which increases the liability of any Partner, or changes the contributions required of any Partner, or the rights and interests in the profits, losses or deductions of the partnership or the rights upon dissolution or the management fee payable to the Manager, shall only become effective as to that Partner upon its written consent to such amendment.

Liability and Indemnity

The liability of each Special Partner is limited to the amount of capital which it has committed to subscribe to the capital of the partnership.

The General Partners and members of the Board of Advisors will be liable only for losses due to gross negligence, dishonesty, or bad faith. AT-Bermuda will indemnify the General Partners and the Board of Advisors against any loss or expense sustained as a result of their acting as General Partners or as members of the Board of Advisors, respectively, provided such loss or expense does not result from gross negligence, dishonesty or bad faith. Any indemnification of the General Partners, unless ordered by a court, shall be made by AT-Bermuda only upon a determination by independent legal advisers that in their written opinion indemnification of the General Partners is proper because they have met the applicable standard of conduct.

PROCEDURE FOR APPLICATION

All applications for the Shares now being offered must be for a minimum of 100 Shares and in multiples of 100 Shares up to 1,000 Shares, in multiples of 500 Shares from 1,001 to 10,000 Shares, in multiples of 1,000 Shares from 10,001 to 20,000 Shares and thereafter in multiples of 5,000 Shares. Each application must be made on the Application Form provided and be forwarded to Barclays Bank Limited, New Issues Department, 2 London Wall Buildings, London Wall, London EC2P 2BU so as to arrive not later than 10 a.m. on 10th December, 1981 and be accompanied (in the case of payment in sterling) by a cheque or draft drawn in sterling on a branch of a bank which is either a member of the London or Scottish clearing houses or has arranged for its cheques to be cleared through the facilities provided for the members of those clearing houses, for the full amount payable on application. In the event of payment being made in U.S. dollars, payment for the full amount payable on application must be made by means of a banker's U.S. dollar draft drawn on a bank in London or by a cheque drawn in U.S. dollars on the London office of a member bank of the London U.S. Dollar Clearing Scheme. Cheques must be made payable to "Barclays Bank Limited" and sterling cheques must be crossed "Not Negotiable". A separate cheque or draft must accompany each Application Form. Photocopies of the Application Form will not be accepted.

Acceptance of applications will be conditional on the Council of The Stock Exchange admitting the Shares to be issued to the Official List not later than 16th December, 1981. Moneys paid in respect of applications will be returned without interest if such admission is not granted by that date and in the meantime will be retained by Barclays Bank Limited in separate accounts for each currency.

All cheques are liable to be presented for payment on receipt and Barclays Bank Limited reserves the right to retain Letters of Allotment and any surplus application moneys pending clearance of applicants' cheques. The right is reserved to reject any application or to accept any application in part only and in particular to reject multiple or suspected multiple applications. The right is also reserved to treat as valid any applications which do not fully comply with the conditions set out in the Application Form. If any application is not accepted, the amount paid on application will be returned in full and, if any application is accepted for fewer Shares than the number applied for, the balance of the amount paid on application will be returned without interest, in each case by cheque in the currency of application through the post at the applicant's risk.

Fully paid renounceable Letters of Allotment in respect of Shares will be sent by post to successful applicants at their risk by not later than 16th December, 1981 and the last date for registration of renunciations will be 12th February, 1982. Share certificates will be despatched by post at the risk of the person(s) entitled thereto on 12th March, 1982. Pending the issue of certificates, instruments of transfer of Shares will be certified against the register.

Copies of this document with Application Forms attached may be obtained from:—

Cazenove & Co.,
12 Tokenhouse Yard,
London EC2R 7AN.

Barclays Bank Limited,
New Issues Department,
2 London Wall Buildings,
London Wall, London EC2P 2BU.

the following branches of Barclays Bank Limited:—

160 Piccadilly, London W1A 2AB.	63 Colmore Row, Birmingham B3 2BY.	121 Queen Street, Cardiff CF1 1SG.
17 York Street, Manchester M60 2AU.	37 Park Row, Leeds LS1 1HS.	40 Corn Street, Bristol BS99 7AJ.

and the following branches of Barclays Bank International Limited:—

1 Rubislaw Terrace, Aberdeen AB9 1BE.	35 St. Andrew Square, Edinburgh EH2 2AD.	90 St. Vincent Street, Glasgow G2 5UQ.

THE SUBSCRIPTION LISTS WILL OPEN AT 10 a.m. ON 10th DECEMBER, 1981 AND MAY BE CLOSED AT ANY TIME THEREAFTER.

This Form when completed should be forwarded to Barclays Bank Limited, New Issues Department, P.O. Box 123, 2, London Wall Buildings, London Wall, London EC2P 2BU, to arrive not later than 10 a.m. on 10th December, 1981, together (in the case of payment in sterling) with a cheque or draft, drawn in sterling on a branch of a bank which is either a member of the London or Scottish clearing houses or has arranged for its cheques to be cleared through the facilities provided for the members of those clearing houses, for the full amount payable on application. In the event of payment being made in U.S. dollars, payment for the full amount payable on application must be made by means of a banker's U.S. dollar draft drawn on a bank in London or by a cheque drawn in U.S. dollars on the London office of a member bank of the London U.S. Dollar Clearing Scheme. Cheques must be made payable to Barclays Bank Limited and sterling cheques must be crossed "Not negotiable". A separate cheque or draft must accompany each application.

NEWMARKET COMPANY (1981) LIMITED

(Incorporated with limited liability under the laws of the Islands of Bermuda)

Issue to the Public

of 6,500,000 Shares of U.S.$0.05 each ("Shares") at U.S.$5.90 per Share or £3.05 per Share, payable in full on application

Application Form

Number of Shares applied for*	Amount due on Application

*Applications may only be made for a minimum of 100 Shares and in multiples of 100 Shares thereafter up to 1,000 Shares in multiples of 500 Shares from 1,001 Shares to 10,000 Shares in multiples of 1,000 Shares from 10,001 to 20,000 Shares and thereafter in multiples of 5,000 Shares.

To: NEWMARKET COMPANY (1981) LIMITED

Gentlemen,

Having paid the above-mentioned sum, being the full amount payable on application for the above-stated number of Shares, I/we offer to subscribe for that number of Shares of Newmarket Company (1981) Limited (the "Company") and I/we agree to accept the same or any smaller number of Shares in respect of which this application may be accepted upon the terms of the Prospectus dated 2nd December, 1981 and subject to the Memorandum and Bye-Laws of the Company.

I/We agree that this application and any acceptance will be governed by and construed in accordance with English law.

I/We authorise you to send a renounceable letter of allotment in respect of such Shares and/or a cheque representing the balance of any application moneys due to me/us by post at my/our risk to the (first) address written below and I/we hereby authorise you to place my/our name(s) on the Register of Members of the Company as the holder(s) of such of the Shares as are not effectively renounced.

I/We represent and warrant that due completion of this Application Form accompanied by a cheque constitutes a representation and warranty by me/us that such cheque will be paid on first presentation and any allotment to me/us is strictly on this understanding.

I/We warrant and represent that I/we have observed and complied with all requirements and obtained all consents required for this application to be made by any jurisdiction to which I/we may be subject.

Date ______ 1981 Signature (1) ______

PLEASE USE BLOCK LETTERS

Surname and Designation (Mr., Mrs., Miss or Title)

Forename(s) in full.

Address in full.
(A corporation should complete this Form under the hand of a duly authorised official who should state his capacity.)

FOR OFFICE USE ONLY

1. Allotment No.
2. Number of Shares applied for
3. Number of Shares allotted
4. Amount received on application U.S.$/£
5. Amount payable on Shares allotted U.S.$/£
6. Amount returned U.S.$/£
7. Cheque No.
8.

PLEASE PIN CHEQUE HERE

Joint Applicants must sign below.

(2) Signature ______
Surname and Designation ______ Forename(s) in full ______
(Mr., Mrs., Miss or Title)
Address (in full) ______

PLEASE USE BLOCK LETTERS

(3) Signature ______
Surname and Designation ______ Forename(s) in full ______
(Mr., Mrs., Miss or Title)
Address (in full) ______

(4) Signature ______
Surname and Designation ______ Forename(s) in full ______
(Mr., Mrs., Miss or Title)
Address (in full) ______

YOU ARE ADVISED TO ALLOW TWO DAYS FOR DELIVERY THROUGH THE POST AND TO USE FIRST CLASS MAIL. THE COMPANY RESERVES THE RIGHT TO PRESENT ALL CHEQUES FOR PAYMENT ON RECEIPT AND TO WITHHOLD ALLOTMENT LETTERS AND EXCESS APPLICATION MONEYS PENDING CLEARANCE OF APPLICANTS' CHEQUES.

No receipt will be issued for the amount paid on application but an acknowledgement will be forwarded in due course by renounceable letter of allotment in respect of all or some of the Shares applied for and/or return by cheque through the post of the application money or any surplus thereof.

CONTRACTS AND TENDERS

COMPANY NOTICES

TRAVEL

ART GALLERIES

CLUBS

THEATRES

INSURANCE

Lloyd's placing may have started a trend

BY JOHN MOORE

THE £1.6m placing by J. Henry Schroder Wagg of 7.5 per cent of the shares in Merrett Holdings, which owns one of the powerful underwriting agency companies at Lloyd's of London, has wide implications for the Lloyd's insurance community. The deal is likely to encourage other agency companies to seek capital in this way, which could lead to a major change in the commercial structure of the Lloyd's market.

In the next five years or so, unless Parliament changes its mind, all Lloyd's insurance brokers will be required to sell off their shareholding links with the underwriting agency companies which manage Lloyd's underwriting syndicates. The buyers of insurance, the brokers, will not be able to control through shareholding links the sellers of insurance, the underwriters. Potential and actual conflicts of interest have been identified.

Formal links between brokers and underwriting agency companies largely evolved during the 1960s when the taxation system posed problems for independent underwriting agency companies. The Estate Duty Office ruled that a Lloyd's underwriting agency remained a valuable asset despite the death of the person who had built it up, and therefore estate duty was payable on its value.

Many underwriting agencies which had been run and owned by families had to be sold to meet the tax liability. The obvious purchasers were Lloyd's brokers who were established in the Lloyd's community and had the money. But conflicts of interest soon developed.

Sir Henry Fisher, in his report on Lloyd's self-regulation which concluded that divestment of brokers' links with agencies was necessary, said that there would be no shortage of buyers. "We do not believe that there would be a shortage of individuals and institutions wishing to take over managing agencies. The most likely (as well as the most suitable) buyers would be people within the Lloyd's underwriting community, including names (the members) on syndicates managed by the agency, underwriters and the directors and executives of the agency company.

The Merrett agency has given a lead. It is offering its parcel of shares not only to a number of institutions but to members of Lloyd's whose affairs Merrett *supervises directly.*

Merrett said last week, "It gives them the opportunity of participation in the management company in which over the years a number of our members have expressed interest. It was pointed to by Fisher as one of the ways in which the necessary capital could be provided for agencies at Lloyd's to replace the capital presently provided for those agencies by brokers in the event of divestment taking place."

Merrett, an independent agency, is using capital raised from its placing "to facilitate future expansion." A Stock Exchange listing of its shares may be sought at sometime in the future. It has no formal plans to buy underwriting agencies which the brokers are to sell.

The Merrett agency recognises that there may be agencies owned by brokers who may not have a wide enough capital base to be viable on their own in the future and argues that it may provide a line of development for the group. Merrett could provide support services, both in management and other facilities, such as computer arrangements, in a joint venture or partnership arrangement.

Lloyd's publicly quoted interests are a relatively recent phenomenon. Lloyd's insurance brokers began seeking stock exchange listings more than 20 years

As the brokers became more powerful and their stock market values grew, Lloyd's became extremely nervous about launching disciplinary action against a Lloyd's broking subsidiary of a publicly listed broker or any of its employees because of the harmful impact on the group's share price and investor sentiment that such disciplinary action might have.

When the new Lloyd's council is formed after the enactment of Lloyd's legislation, Lloyd's will have to draft firm rules and structures for future regulation of the market.

WEEK'S FINANCIAL DIARY

The following is a record of the principal business and financial engagements during the week. The board meetings are mainly for the purpose of considering dividends and official indications are not always available whether dividends concerned are interims or finals. The sub-divisions shown below are based mainly on last year's timetable.

TODAY

COMPANY MEETINGS—
Green (R.) Properties, Bedford Hotel, King's Road, Brighton, 5.30
Greencoat Properties, Connaught Rooms, Great Queen Street, WC, 12.00
Linread, Birmingham Chamber of Industry and Commerce, 75, Harborne Road, Birmingham, 12.00
London and St Lawrence Inv, Europe House, World Trade Centre, E, 12.30
Tyzack (W. A.), Hallam Tower Hotel, Sheffield, 10.30

BOARD MEETINGS—
Finals:
Durban Roodepoort Deep
East Rand Proprietary Mines
Edbro
Fenner (J. H.)
Trafalgar House
Interims:
AAA Inds.
Bassett (Geo.)
Blyvooruitzicht Gold Mining
CH Industrials
Caffyns
Initial Services
Kleen-E-Zee
Lynton
Preedy (Alfred)

DIVIDEND & INTEREST PAYMENTS—
Aitken Hume 1.65p
Canadian and Foreign Inv Tst 1.9p
Cent and District Props Db 3½pc
Charterhall 0.3p
Chubb and Son Ln 4. 4½pc
Croda Intnl. 1.5p
Ductile Steels 4.5p
Elys (Wimbledon) 1p
Ford Intnl Cap Ln 3½pc
Fothergill and Harvey 2.75p
Hay (Norman) 1.25p
Laird 2p
Lamont Hldgs 0.4p
Linread 1p
Lionel Cpn 5cts
Midland Intnl Fin Services FltgRteNts 1992 $446.44
Office and Elec Machines 2.5p
Rockwell Intnl 39cts
Scottish Ontario Inv 1p
Sears Hldgs 0.7p
Secs Tst of Scotland 1.9p
Selincourt 0.441p
Sirdar 4.3p
Sphere Inv Tst 2.85p
Vanbrugh Currency Fund PtgPf 4.76p

TOMORROW

COMPANY MEETINGS—
Cedar Inv Tst, Mermaid House, 2, Puddle Dock, 12.00
Gomme Hldgs, Spring Gardens, High Wycombe, Bucks, 10.30
London and Strathclyde Tst, Gartmore Inv Ltd, 2, St Mary Axe, EC, 3.00
Makin (J. and J.) Paper Mills, Town Hall, Rochdale, 2.30
Scottish Met Prop, Central Hotel, Glasgow, 11.30

BOARD MEETINGS—
Finals:
Archimedes Inv. Tst.
Baggeridge Brick
Bass
Borthwick (Thomas)
Brown (Matthew)
Construction Hldgs.
Deelkraal Gold Mining
NSS Newsagents
Vlakfontein Gold Mining
Wolverhampton and Dudley Breweries
Interims:
Alpine Soft Drinks
Birmingham Mint
Bristol Evening Post
Cable and Wireless
Coalite
Cray Electronics
Doornfontein Gold Mining
Driefontein Cons.
Elliott Group of Peterborough
Globe Inv. Tst.
Imperial Continental Gas
Intnl. Timber
Kloof Gold Mining
Libanon Gold Mining
Linfood
Marling Inds.
Meyer (Montague L.)
Mitchell Somers
Rolfe and Nolan
Utd. British Securities
Venterspost Gold Mining
Ward and Goldstone

DIVIDEND & INTEREST PAYMENTS—
Currys 0.75p
Energy Fin and Gen Tst Hldgs 0.6p
GT Global Recovery Inv Tst 0.75p
Perry (Harold) Motors 1.5p
Reed Intnl 5pcPf 1.75pc, 7pcPf 2.45pc, Lns 2½, 3½pc
Rolinco NV Fl 7.2, Sub-Shs (Nat Pro Bk) Fl 0.72 Sub-Shs (Other Nms) Fl 0.72
Singapore Para Rubber Est 0.6p
Tyzack (W. A.) 0.4p

WEDNESDAY DECEMBER 9

COMPANY MEETINGS—
Kalamazoo, Mill Lane, Northfield, Birmingham, 11.30
London and Prov Shop Centres, 28, South Street, W, 3.00
Martonair Intnl, Connaught Rooms, Great Queen Street, WC, 12.00
Smith Inds, 765, Finchley Road, Childs Hill, NW, 12.00
Spencers Gears (Hldgs), 5, Cairo New Road, Croydon, Surrey, 12.00
Wood Hall Tst, Winchester House, 100, Old Broad Street, EC, 11.30

BOARD MEETINGS—
Finals:
Avon Rubber
Caravans Intnl.
Devenish (J. A.)
Management Agency and Music
Messina (Transvaal) Development
Westland Aircraft
Interims:
Assoc. British Eng.
Braithwaite Eng.
British Tar Products
Brown (N.) Inv.
Bulmer (H. P.)
Hazlewood Foods
Moorgate Inv.
Pegler-Hattersley

DIVIDEND & INTEREST PAYMENTS—
Atlas Elec and Gen Tst 1p
Cedar Inv Tst 2.9p
East of Scotland Onshore 0.5p
Edinburgh Var.RateRed 1983 £7.1094
Folkes (John) Hefo 0.35p
Garrard and National 5p
Kensington and Chelsea VarRateRed 1982 £7.1094
Portsmouth Water 3.5pc (Fmly 5pc) Red Pf 1980-81 0.666pc
Sparrow (G. W.) 0.5p
Thames Inv and Secs 2.5p

THURSDAY DECEMBER 10

COMPANY MEETINGS—
Beckman (A.), 111-113, Great Portland Street, W, 12.00
Burncene Inv, 22, Hanover Street, Edinburgh, 10.30
Guildhall Prop, Winchester House, 100, Old Broad Street, EC, 12.00
Hunt and Moscrop (Middleton), Middleton Masonic Club, Manchester Old Road, Middleton, Manchester, 12.00
LWT (Hldgs), South Bank TV Centre, Kent House, Upper Ground, SE, 3.30
London Entertainments, Palace Theatre, Shaftesbury Ave, W, 12.30
London Prop Shop Tst, Winchester House, 100, Old Broad Street, EC, 2.30
Thorpe (F. W.), 75, Harborne Road, Birmingham, 3.15
North Atlantic Secs., 23, Great Winchester Street, EC, 2.45
Smart (J.), 28, Cramond Road South, Edinburgh, 12.00

BOARD MEETINGS—
Finals:
First Union General Inv. Tst
Flexello Castors and Wheels
Hawkins and Tipson
Lloyds and Scottish
Ransome Hoffmann Pollard
Sotheby Parke Bernet
Interims:
Arlington Motor
British Building and Eng. Appliances
Butterfield-Harvey
Electric and General Inv.
Fuller Smith and Turner
Holyrood Rubber
Hongkong Selangor Rubber
Kuala Selangor Rubber
Monk (A.)
Norcros
Shaw Carpets
Woodhead (Jonas)

DIVIDEND & INTEREST PAYMENTS—
AMF Inc 34cts
Allied Leather Inds 1.75p
Barnes Grp 25cts
Boeing 35cts
Citicorp Overseas Fin FltgRteNts 1984 $47.71
Cons Plants 11Sen
Dart and Kraft 85cts
English Natl Inv Ptd 1.05p, Dfd 1.75p
Gen Motors BDRs 5cts
Grace (W. R.) 65cts
Gulf Oil 70cts
Jerome (S.) 0.833p
Kalamazoo 1.67p
London Shop Prop Tst 2.75p
London Tst 1.25p
Millets Leisure Shops 2.95p
Mobil 50cts
Pres Brand Gold Mng 300cts
Pres Steyn Gold Mng 245cts
Purolator 26cts
Squibb Cpn 31 5cts
Sun Company 52.5cts
Takeda Chem Inds Y3.75, Do BDRs Y3.75
Texaco 75cts
Thorpe (F. W.) 1.45p
Toshiba Cpn Y3
Travelers Cpn 72cts
Utd Techs Cpn 80cts
Warner-Lambert 35cts
Welkom Gold Mng 90cts
Western Hldgs 350cts
Wood Hall Tst 6.211p

FRIDAY DECEMBER 11

COMPANY MEETINGS—
Beazer (C. H.), 2, Midland Bridge Road, Bath, 12.00
Bell (Arthur), Station Hotel, Leonard Street, Perth, 12.15
Berry Tst., Park House, 16, Finsbury Circus, EC, 12.30
Brooke Bond Liebig, Cafe Royal, 68, Regent Street, W, 12.00
Burgess Prods, Brookfield Road, Hinckley, Leics, 12.00
Casket (S.), Midland Hotel, Manchester, 12.30
Lake and Elliot, Waldorf Hotel, Aldwych, WC, 12.00
North British Props, Royal Station Hotel, Neville Street, Newcastle, 11.30
Saga Holidays, The Cumbria Grand Hotel, Grange-over-Sands, Cumbria, 3.00

BOARD MEETINGS—
Finals:
Grootvlei Proprietary Mines
Hunslet
Marievale Cons. Mines
North British Steel
Richards
St Helena Gold Mines
Utd Spring and Steel
Interims:
Baker Perkins
Helical Bar
Phoenix Timber

DIVIDEND & INTEREST PAYMENTS—
Applied Computer Techniques 0.2p
Ayer Hitam Tin Dredging Malaysia M$ 75Sen
BSR 0.5p
Beales (John) Assoc 0.5p
Berec 10pcPf 3.5pc
Berry Tst 1.7p
Bishopsgate Tst 1.3p
Blackwood Hodge 0.5p
Boosey and Hawkes 1.9p
Brent Walker 0.35p
Burgess Prods 3p
Casket (S.) Hldgs 1.25p
Chamberlin and Hill 1.1p
Cullen's Stores 8.7p
East Rand Gold and Uranium 60cts
Elder Smith Goldsbrough Mort SA 12.5cts
European Asian Cap FltgRteNts 1989 $444.7916
Free State Geduld Mines 245cts
Guildhall Prop 4.4p
Hopkinsons Hldgs 1.5p
House of Lerose 2p
Hungary (Natl Bk) FltgRteNts 1985 $444.79
Hunt and Moscrop (Middleton) 0.84p
Imp Cold Storage and Supply 5cts
London and Strathclyde Tst 1.4p
London County 8½pc 1982-84 2¼pc
London Entertainments 1.785p
Lunuva (Ceylon) Tea and Rubber Est 6p
Makin (J. and J.) Paper Mills 2p
Mid-Sussex Water 4.025pc (Fly 5¾pc) Do 7pc
Northwest Energy 30cts
Pochins 8.125p
Scottish Heritable Tst 1p
Smart (J.) 2.6p
Stewart Enterprise Inv 2p
Usher-Walker 1.29p
Yorkvale 4.9p

SATURDAY DECEMBER 12

DIVIDEND & INTEREST PAYMENTS—
Exchequer 10pc 1983 5pc, 12pc 2013-17 6pc
Fletcher Challenge Bds NZ
Foster Bros Clothing 1.1p
Treasury 12pc 1986 6pc

WORLD STOCK MARKETS

NEW YORK

1981 High	1981 Low	Stock	Dec. 4
51¾	34⅛	ACF Industries	38⅞
27⅝	19¾	AMF	26⅞
15⅜	3⅞	AM Intl	4
37¼	24¼	ARA	28⅛
66⅛	42	ASA	45
36⅝	12⅛	AVX Corp	14⅛
31⅛	24	Abbott Labs	29
30¼	17¼	Acme Cleve	20⅛
44⅞	27⅛	Adobe Oil & Gas	33
36¼	14¾	Advanced Micro	18¼
47⅛	30⅝	Aetna Life & Gas	46⅛
20¾	14¾	Ahmanson (H.F.)	16⅛
48⅛	34⅝	Air Prod & Chem	37½
15¼	9⅞	Akzona	11⅝
38	23	Albany Int	26½
15⅝	10⅛	Alberto-Culv	13¼
29⅛	20	Albertson's	28⅝
39⅛	19⅞	Alcan Aluminium	23½
21⅛	16¾	Alco Standard	20⅜
38	27⅛	Alexander & Al	22¼
64¾	31⅝	Aleghany Intl	34
59¼	40	Allied Corp	47⅛
30⅞	24	Allied Stores	25⅜
35⅛	14¼	Allis-Chalmers	18½
16⅛	8¾	Alpha Portd	12⅝
37¼	25	Alcoa	26¾
51⅝	34	Amal. Sugar	46⅞
67	38	Amax	50⅜
45¾	22¾	Amerada Hess	26⅞
21	8⅞	Am. Airlines	13½
46	34⅝	Am. Brands	38⅞
37	25⅝	Am. Broadcast'g	36
44⅛	28¾	Am. Can	34⅛
36¼	25⅛	Am. Cyanamid	28

1981 High	1981 Low	Stock	Dec. 4
41½	28⅝	Columbia Gas	34½
46	32¼	Columbia Pict	45⅝
24	17	Combined Int	23⅝
49¼	33¼	Combustn. Eng	37⅛
22⅜	17⅞	Cmwlth. Edison	22
63¾	42	Comm. Satellite	62½
24⅞	11¾	Comp Science	11½
39⅞	28⅝	Cone Mills	33
56⅝	41⅞	Conn Gen. Inn	52⅞
27	17⅜	Conrac	22⅝
33⅝	22⅝	Cons Edison	32½
33¾	24	Cons Foods	33¾
44¼	24⅝	Cons Freight	41½
55¾	43⅛	Cons Nat Gas	50⅝
19⅛	16	Consumer Power	17⅝
18⅝	6	Cont Air Lines	6
30¾	23⅜	Conti Corp	28¼
40⅛	30½	Conti Group	34¾
42⅝	30⅞	Cont. Illionis	37¼
19	15	Conti Telep	17⅜
42⅛	29¾	Control Data	37½
55⅝	43	Cooper Inds	53⅞
16½	10⅛	Coors Adolph	11½
47½	23⅝	Copperweld	40½
74⅜	51½	Corning Glass	56½
26	17⅝	Corroon Black	19⅞
39⅛	24	Cox Broadcast'g	37
45¾	32⅝	Crane	35⅜
42	30½	Crocker Nat	32¼
36⅝	25	Crown Cork	28
53⅝	25⅛	Crown Zell	31

CANADA

HOLLAND

HONG KONG

JAPAN

NORWAY

ITALY

SWEDEN

SWITZERLAND

GERMANY

AUSTRALIA

SINGAPORE

SOUTH AFRICA

Financial Rand US$0.80½ (Discount of 23%)

BRAZIL

TEL AVIV

AUSTRIA

BELGIUM/LUXEMBOURG

FRANCE

DENMARK

Indices

NEW YORK —DOW JONES

STANDARD AND POORS

NEW YORK ACTIVE STOCKS

Companies and Markets

INTL. COMPANIES & FINANCE

Morgan Guaranty seeks financial futures offshoot

BY DAVID LASCELLES IN NEW YORK

MORGAN GUARANTY, the large New York bank, has asked the Federal Reserve Board for permission to open up a special subsidiary to trade in financial futures. The subsidiary, which would be the first of its kind, would trade on the futures exchanges—not just on the bank's behalf but for its clients as well.

The venture is the latest in which U.S. banks are probing the reaches of U.S. banking law in an effort to break into territory such as stock broking and commodities trading which has so far been the preserve of Wall Street's broking firms.

Morgan's lawyers believe the subsidiary should be allowed under the U.S. Bank Holding Company Act wihch says banks may only conduct bank-related business. The Fed is seeking public comment on Morgan's application before it decides how to respond.

Financial futures are a comparatively novel means by which companies and individuals can hedge interest-sensitive asset and liability positions. Banks are allowed to deal for themselves in futures but have not so far been able to deal on behalf of their clients. Morgan also wants to offer this service for gold futures.

J. P. Stevens edges ahead

By Our Financial Staff

J. P. STEVENS, the major U.S. textiles company, has reported a small increase in net profits for the fourth quarter ended October 31. They rose 9 per cent to $8.4m, or 58 cents a share, on sales ahead 14 per cent to $574.5m.

But it reported a loss for the year of $22.9m because of the $42m net charge against third quarter earnings for a restructuring plan. The charge, equal to $2.90 a share, caused a third quarter loss of $2.54 a share.

Annual sales were $2.03bn against $1.9bn a year earlier when it earned a net profit of $20.3m, or $1.43 a share.

Stevens said fourth quarter pre-tax earnings were down from a year earlier because of lower output of some apparel and industrial products, and higher interest and manufacturing costs.

A lower tax rate boosted income at the net level.

Munich bank pays same

BAYERISCHE Vereinsbank, the Munich-based bank, wil pay an unchanged dividend of DM 9 per share for 1981 on increased capital, Dr Max Hackl, managing board chairman, said in an interim report. AP-DJ reports

Operating earnings for the 10 months ended October 31, were up 15 per cent from the year-earlier level, including earnings from trading on the bank's own account in shares and notes. Dr Hackl noted that the dividend will be paid on capital of DM 450m ($204m) raised from DM 400m earlier this year.

The report said interest rate earnings totalled over DM 747m in the first 10 months of 1981, up 13.5 per cent from the 10-month proportion of 1980 earnings. The increase was because of a better margin on interest as well as an expansion of business volume. However, he noted that the interest margin had not improved from its better level at mid-year.

The bank's net assets totalled DM 54.9bn at October 31. Savings deposits, the most inexpensive form of refinancing, had dropped 7 per cent to DM 5.8bn. However, the rate of decline of savings deposits had slowed down noticeably in recent weeks.

SBC sets up foreign funds

SWISS BANK Corporation (SBC) has set up three foreign-currency investment funds, placing their management in the hands of its subsidiary Interfonds. John Wicks writes from Zurich.

The funds are called Dollar Bond Selection, D-mark Bond Selection, and Florin Bond Selection and will hold portfolios of long-term securities in those currencies.

The funds are the first to be issued by SBC in a currency other than Swiss francs.

Nine-month loss for Hudson's Bay

By Robert Gibbens in Montreal

HUDSON'S BAY COMPANY, Canada's largest retailing group which is controlled by the Thomson family, has reported a C$40.6m ($33.8m) net loss for nine months ended September highlighting dramatically the problems of the retailing industry as the recession deepens.

The company said no improvement is likely in the fourth quarter, which includes the Christmas season. However, the 30 cents a share regular quarterly dividend is being maintained. A year earlier, the Bay showed a profit of $C581,000 before preferred dividends.

After special gains, the company showed a final loss of C$23.1m in the latest nine months, against a profit of C$17.1m, or 34 cents a share, a year earlier. Revenues were up 19 per cent to C$2.8bn.

The Bay said sales growth with lower than expected in the first nine months. Interest costs more than doubled to C$72m in the third quarter, when Canadian prime rates touched a peak of 22 per cent. Real estate activities improved.

● Woodward Stores, the Western Canadian department store chain, earned C$4.4m in the 39 weeks ended October 31, equal to 31 cents a share, against C$9.3m, or 67 cents a year earlier, on revenues of C$805m, up 13 per cent.

The fall in operating profit was blamed on poor summer weather, the impact of severe strikes in several British Columbian industries and high interest rates. Little immediate improvement is seen likely.

Companies and Markets

CURRENCIES, MONEY and GOLD

A cessation of hostilities

BY COLIN MILLHAM

Interest rates fell around the world last week, with most of the action taking place on Thursday. National Westminster Bank in London could almost claim to have been the trend setters, but the cut in U.S. and German rates would have occurred without any help from the British commercial banks.

Once again National Westminster was the first of the clearing banks to announce a cut in its base rate on Thursday, but by the end of the day all major banks were posting a base rate of 14½ per cent, while in a separate, but perhaps not unconnected move the German Bundesbank reduced its special Lombard rate by a similar ½ per cent to 10½ per cent. This produced some disappointment as the German authorities were generally expected to cut 1 per cent from the rate.

Shortly after, the Swiss National Bank announced a reduction of ½ per cent to 7 per cent in its Lombard rate, and several hours later the U.S. Federal Reserve cut its discount rate by 1 per cent to 12 per cent.

None of these moves could be described as totally unexpected, and there is no sign that this downward trend has come to an end. In the Far East the Development Bank of Singapore, one of the big four local banks, cut its prime rate by ¾ per cent to 12¼ per cent, and in Hong Kong prime rates fell by 1 per cent to 16 per cent.

Back in Europe the Bank of France reduced its money market intervention rate by ½ per cent to 15¼ per cent on Friday afternoon when it injected funds through purchases of first category paper.

The Dutch National Bank also announced moves to bring down domestic interest rates during the week by way of a cut of ½ per cent on its supplementary quota facility.

Against this background the lack of reaction from the Bank of Japan tends to attract attention, with call money quite firm in Tokyo on Friday and little change in other interest rates apart from the fall in one-month bill discount rates.

Action by the Japanese authorities to cut the discount rate is unlikely to be far away however, and when this comes it will only add to the general impression that the major central banks are acting in concert at present.

As one market observer remarked the interest rate war seems to have reached a state of truce.

THE POUND SPOT AND FORWARD

Dec 4	Day's spread	Close	One month	% p.a.	Three months	% p.a.
U.S.	1.9400-1.9560	1.9410-1.9430	0.43-0.33c pm	2.35	1.05-0.95 pm	2.08
Canada	2.2850-2.3020	2.2865-2.2885	0.35-0.45c dis	−2.10	0.85-1.05dis	−1.86
Nethlnd.	4.71½-4.75½	4.72½-4.73½	1½-1c pm	3.17	4-3½ pm	3.17
Belgium	73.40-74.90	73.45-73.65	11-21c dis	−2.61	54-64 dis	−3.21
Denmark	13.94-14.02	13.95½-13.96½	par-1ore dis	−0.43	⅛ pm-1⅛dis	−0.11
Ireland	1.2155-1.2240	1.2180-1.2200	0.30-0.41p dis	−3.49	1.02-1.22dis	−3.67
W. Ger.	4.31½-4.34½	4.32-4.33	1⅝-1¼pf pm	4.16	4¾-4¼ pm	4.16
Portugal	124.20-125.70	124.40-124.70	30-195c dis	−10.83	55-145 dis	−3.21
Spain	184.70-187.00	184.90-185.10	10-45c dis	−1.78	80-120 dis	−2.16
Italy	2,313-2,326	2,314-2,316	15-18 lire dis	−8.55	43½-46½ dis	−7.77
Norway	11.05-11.14	11.06½-11.07½	11-12⅞ore dis	−12.94	7¾-9¼ dis	−3.05
France	10.88-10.95	10.89½-10.90½	1½-2½c dis	−2.20	5¾-6¼ dis	−2.29
Sweden	10.59-10.65	10.59½-10.60½	2-1½ore pm	1.84	5½-4½ pm	1.86
Japan	419-423	420-421	3.20-2.90y pm	8.70	8.45-8.15 pm	7.89
Austria	30.20-30.50	30.25-30.30	17-12gro pm	5.75	42-32 pm	4.89
Switz.	3.45½-3.49½	3.46½-3.47½	1⅝-1⅛c pm	4.75	4⅛-3⅝ pm	4.47

Belgian rate is for convertible francs. Financial franc 82.00-82.10. Six-month forward dollar 1.62-1.52c pm, 12-month 1.85-1.65c pm.

THE DOLLAR SPOT AND FORWARD

Dec 4	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.9400-1.9560	1.9410-1.9430	0.43-0.33c pm	2.35	1.05-0.95 pm	2.06
Ireland†	1.5970-1.6020	1.5970-1.6000	0.85-0.75c pm	6.00	2.35-2.15 pm	5.63
Canada	1.1781-1.1791	1.1788-1.1791	0.47-0.50c dis	−4.94	1.08-1.11dis	−3.71
Nethlnd.	2.4260-2.4340	2.4300-2.4330	0.30-0.20c pm	1.24	0.85-0.75 pm	1.32
Belgium	37.76-37.87	37.85-37.87	12-16c dis	−4.45	44-49 dis	−4.92
Denmark	7.1575-7.1800	7.1600-7.1700	1.35-1.60ore dis	−2.47	3.25-3.75dis	−1.95
W. Ger.	2.2170-2.2280	2.2255-2.2265	0.35-0.30pf pm	1.75	1.17-1.12 pm	2.05
Portugal	64.00-64.50	64.00-64.25	30-110c dis	−13.10	70-240 dis	−9.67
Spain	95.25-95.55	95.33-95.38	25-35c dis	−3.77	75-95 dis	−3.56
Italy	1,191-1,194	1,193-1,194	9-10½ lire dis	−9.82	27-30 dis	−9.56
Norway	5.6950-5.7180	5.6950-5.7050	4½-5ore dis	−9.99	4½-5 dis	−3.33
France	5.5950-5.6200	5.6125-5.6175	1.75-1.95c dis	−3.97	6.00-6.40dis	−4.43
Sweden	5.4490-5.4620	5.4490-5.4520	0.10-0.30ore dis	−0.44	0.20 pm-par	0.07
Japan	215.20-216.60	216.35-216.45	1.20-1.05y pm	6.24	3.25-3.10 pm	5.87
Austria	15.55-15.61	15.57¾-15.58¾	5-3½gro pm	3.27	12½-8½ pm	2.69
Switz.	1.7750-1.7900	1.7870-1.7880	0.50-0.42c pm	3.09	1.34-1.26 pm	2.91

† UK and Ireland are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar and not to the individual currency.

GOLD

	Dec. 4		Dec. 3	
Gold Bullion (fine ounce)				
Close	$425-426	(£219-219½)	$415½-416½	(£214¾-215¼)
Opening	$423-424	(£217¼-217¾)	$415-416	(£213-213½)
Morning fixing	$423.60	(£217.035)	$419	(£215.568)
Afternoon fixing	$426	(£218.126)	$416.50	(£215.446)
Gold Coins				
Krugerrand	$439-440	(£225¾-226¼)	$427½-428½	(£220¾-221¼)
1/2 Krugerrand	$225¾-226¾	(£116¼-116¾)	$220¼-221¼	(£113¾-114¼)
1/4 Krugerrand	$115-116	(£59-59½)	$112-112¾	(£58-58¼)
1/10 Krugerrand	$47-48	(£24-24¾)	$46-47	(£23¾-24¼)
Mapleleaf	$439-440	(£225¾-226¼)	$427½-428½	(£220¾-312¼)
New Sovereigns	$104-104½	(£53½-53¾)	$101½-102	(£52½-52¾)
King Sovereigns	$117-118	(£60-60½)	$115-116	(£59½-60)
Victoria Sovs	$117-118	(£60-60½)	$115-116	(£59½-60)
French 20s	$105-115	(£54-59)	$103-113	(£53¼-58¼)
50 pesos Mexico	$524-528	(£269½-271½)	$511-515	(£264-266)
100 Cor. Austria	$412-416	(£212-214)	$402-406	(£207½-209½)
$20 Eagles	$512-517	(£263¼-266)	$506-511	(£261¼-264)

OTHER CURRENCIES

Dec. 4	£	$		£ Note Rates
Argentina Peso	13,393-13,413†	6848-6858†	Austria	30.30-30.60
Australia Dollar	1.6975-1.6995	0.8735-0.8740	Belgium	81.75-82.75
Brazil Cruzeiro	239.70-240.70	122.59-123.20	Denmark	13.90-14.03
Finland Markka	8.376-8.397	4.3135-4.3156	France	10.90-11.02
Greek Drachma	107.449-110.759	56.00-56.20	Germany	4.30½-4.34½
Hong Kong Dollar	10.84¼-10.86¼	5.57-5.58	Italy	2305-2335
Iran Rial	152.50*	78.00*	Japan	420-425
Kuwait Dinar (KD)	0.545-0.549	0.2798-0.2801	Netherlands	4.71-4.75
Luxembourg Fr.	73.45-73.65	37.85-37.87	Norway	11.08-11.18
Malaysia Dollar	4.3575-4.3675	2.2385-2.2415	Portugal	123½-132
New Zealand Dlr.	2.3225-2.3265	1.1945-1.1955	Spain	184-195¼
Saudi Arab. Riyal	6.64-6.70	3.4175-3.4205	Sweden	10.59-10.69
Singapore Dollar	3.98-3.99	2.0440-2.0470	Switzerland	3.45½-3.49½
Sth. African Rand	1.8790-1.8810	0.9675-0.9685	United States	1.94¼-1.96¼
U.A.E. Dirham	7.14-7.20	3.6700-3.6730	Yugoslavia	86-93

† Rate given for Argentina is the commercial rate. The financial rate for sterling is 21,538-21,558 and for the dollar 11,000-11,050. * Selling rate.

EURO-CURRENCY INTEREST RATES (Market closing Rates)

Dec. 4	Sterling	U.S. Dollar	Canadian Dollar	Dutch Guilder	Swiss Franc	West German Mark	French Franc	Italian Lira	Belgian Franc Convertible	Japanese Yen
Short term	14¾-15	11⅝-11⅞	14-15	11-11¼	5⅛-5¾	10⅛-10⅜	15⅝-16⅝	18-21	12-14	6-6¼
7 days' notice	14¾-15	11¾-12	14-15	11-11¼	5¼-5¾	10⅛-10⅜	15⅝-15⅝	18½-21	13¼-16	6½-6⅝
Month	14¾-14⅞	12⅛-12⅜	16⅞-17¼	11⅛-11¼	9⅜-9½	10⅜-10½	16¾-17¼	22-23	16⅛-16⅞	6⅛-6⅜
Three months	14⅛-14⅜	12¼-12½	16⅛-16½	11⅛-11¼	9½-9⅝	10⅛-10⅜	17⅛-17⅝	22⅝-23⅝	17⅛-17¾	6⅛-6⅜
Six months	14⅛-14⅜	12½-12¾	15¾-16⅛	11⅛-11¼	9¼-9⅜	10⅛-10⅜	18-18½	22⅛-23½	17½-18	6⅛-6⅜
One Year	14⅛-14⅜	13⅛-13⅜	15¾-16⅛	11⅛-11¼	8⅛-8⅜	9¾-9⅞	18-18½	22½-23½	16¼-16¾	6⅛-6⅜

SDR linked deposits: one month 11[illegible]-12[illegible] per cent; three months 11[illegible]-12[illegible] per cent; six months 12⅛-12½ per cent; one year 12¼-12⅝ per cent.

ECU linked deposits: one month 13[illegible]-14[illegible] per cent; three months 14-14⅛ per cent; six months 14[illegible]-14[illegible] per cent; one year 14-14⅜ per cent.

Asian $ (closing rates in Singapore): one month 12[illegible]-12[illegible] per cent; three months 12½-12⅝ per cent; six months 12⅞-13 per cent; one year 13⅛-13½ per cent. Long-term Eurodollar two years 14⅛-14⅜ per cent; three years 14⅛-14⅜ per cent; four years 14½-14¾ per cent; five years 14¾-15 per cent nominal closing rates. The following nominal rates were quoted for London dollar certificates of deposit; one month 11.55-11.65 per cent; three months 11.55-11.65 per cent; six months 12.00-12.10 per cent; one year 12.50-12.60 per cent.

FT LONDON INTERBANK FIXING (11.00 a.m. DECEMBER 4)

3 months U.S. dollars		6 months U.S. dollars	
bid 12 1/2	offer 12 5/8	bid 12 7/8	offer 13

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 am each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

LONDON MONEY RATES

Dec. 4 1981	Sterling Certificate of deposit	Interbank	Local Authority deposits	Local Auth. negotiable bonds	Finance House Deposits	Company Deposits	Discount Market Deposits	Treasury Bills ♦	Eligible Bank Bills ♦	Fine Trade Bills ♦
Overnight	—	5-16	14½-15	—	—			—	—	—
2 days notice	—	—	14⅜-14½	—	—	14-15	6-14¾	—	—	—
7 days or	—	—	—	—	—	—	—	—	—	—
7 days notice	—	14¾-15	14⅝-14⅞	—	—	—	—	—	—	—
One month	14⅝-14½	14⅝-14⅞	14¾	—	—	14⅞-15⅛	14¼-14½	—	—	—
Two months	14¾-14⅝	14¾-14⅞	—	15-14⅝	14½	15-15⅛	14¼-14⅜	14¼-14⅜	14⅝	15⅛
Three months	14½-14⅝	14¾-14⅞	14⅞	15-14⅝	14¾	15-15⅛	14-14⅛	14⅛-14⅜	14⅜-14¼	14⅞
Six months	14⅝-14¼	14⅝-14⅜	14½	14⅞-14½	14½	15-15½	13⅞	13⅞	14-14⅛	14⅝
Nine months	14⅜-14¼	14½-14⅝	—	14-13⅝	14⅝	—	—	—	13⅞-13½	14⅛
One year	14⅝-14⅛	14⅛-14⅜	14⅝	14⅝-14¼	14⅝	—	—	—	—	—
Two years	—	—	14¾	14½-14¼	14⅞	—	—	—	—	—

Local authorities and finance houses seven days' notice, others seven days fixed. Long-term local authority mortgage rates nominally three years 14½ per cent; four years 14⅞ per cent; five years 14⅞ per cent. ♦Bank bill rates in table are buying rates for prime paper. Buying rates for four-month bank bills 13[illegible]-13⅞ per cent; four months trade bills 14[illegible] per cent.

Approximate selling rate for one month Treasury bills 14½-14[illegible] per cent; two months 14-14[illegible] per cent; three months 13⅞ per cent. Approximate selling rate for one month's bank bills 14⅞-14[illegible] per cent; two months 14[illegible] 14⅛ per cent; and three months 13[illegible]-13[illegible] per cent; one month trade bills 14⅞ per cent; two months 14⅝ per cent; three months 14½ per cent.

Finance Houses Base Rates (published by the Finance Houses Association) 16 per cent from December 1, 1981. Clearing Bank Deposit Rates for sums at seven days' notice 12⅛-12½ per cent. Clearing Bank Rates for lending 14½ per cent. Treasury Bills: Average tender rate of discount 13.7583 per cent.

CURRENCY RATES

Dec. 4	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	—	0.602394	0.565196
U.S. $	12	1.17497	1.10354
Canadian $	15.31	1.38411	1.30053
Austria Sch.	6¾	18.3178	17.2153
Belgian F.	13	44.3904	41.6864
Danish Kr.	11	8.43041	7.91517
D mark	7½	2.60843	2.44876
Guilder	9	2.85324	2.67885
French Fr.	9½	6.58159	6.17985
Lira	19	unavail.	1315.42
Yen	6¼	252.854	238.255
Norwgn. Kr.	9	6.71730	6.28965
Spanish Pta.	8	112.127	105.278
Swedish Kr.	11	6.41534	6.02480
Swiss Fr.	6	2.09556	1.96596
Greek Dr'ch.	20½	—	61.9254

RECENT ISSUES

EQUITIES

Issue price p	Amount Paid up	Latest Renunc. Date	1981 High	1981 Low	Stock	Closing price p	+ or −	Div. amount	Times covered	Gross yield	P.E. ratio
‡80	F.P.	—	84	80	♣A & G Sec. Elecs.5p	81	−1	b2.75	2.3	5.1	28.3
‡70	F.P.	30 11	73	68	♣Acsis Jewellery	70	......	u3.7	2.0	7.6	(7.6)
—	F.P.	4.12	850	775	♣Asprey	825	......	35.0	3.3	6.0	6.0
168	F.P.	8.1	205	191	Cable & Wireless 50p	200	+5	b6.3	2.0	4.5	15.9
‡35	F.P.	—	35	33	♣City Site	34	......	b0.5	1.2	2.1	56.4
80	F.P.	—	83	81	♣Equipu.	83	......	bd3.1	2.1	5.3	12.8
140	F.P.	—	187	170	Exco 10p	173	......	b4.5	2.2	3.7	17.3
—	F.P.	—	9	9	F & C Enter. Warrants	9	—	—	—	—	—
‡50	F.P.	9:12	50	41	♣Gr'nw'hCable&Cm.	41	......	—	—	—	—
150	F.P.	—	165	160	♣Haytors	165	......	b10.5	1.8	9.1	7.6
‡10½	F.P.	2.12	18	14	♣Humberside El. 10p	18	......	—	—	—	—
63	F.P.	2.12	76	69	♣JohnstonesP'Int10p	74	......	b3.53	2.6	6.8	7.7
100	F.P.	—	104	100	NewAustraliaInv.50p	101	......	—	—	—	—
US$4.25	F.P.	—	205	145	♣Nimslo Int. 20c	153	−2	—	—	—	—
—	F.P.	—	8½	8	Sampang (Java)8½p.	8½	−¼	—	—	—	—
—	50p	—	83	75	♣Saxon Oil	75	......	—	—	—	—
‡67	F.P.	18.12	70	68	♣Sheldon Jones	70	......	b3.5	2.4	7.1	7.9
‡	F.P.	—	53	32	♣Television South10p	52	......	—	—	—	—
‡62	F.P.	4.12	64	60	♣V.W.	63	+1	bd3.84	2.5	8.7	5.9
—	F.P.	—	5	4½	Viners 1p	4½	......	—	—	—	—

"RIGHTS" OFFERS

Issue price p	Am'unt paid up	Latest Renunc. date ●	Latest Renunc. date ■	1981 High	1981 Low	Stock	Closing price p	+ or −
275	F.P.	13.7	2/12	340	229	BP	326	−2
20	F.P.	13.11	11/12	37	20¾	Brown & Jackson	37	......
2.5A$	Nil	—	—	78pm	60pm	C S R	78pm	+4
162	Nil	—	—	18pm	15pm	Great Portland Estates	18pm	+5
14	F.P.	27/11	8/1	24	18	Lancaster (D.M.)	23	......
126	F.P.	2.12	15/1	143	134	Northern Foods	136	+2
7½	Nil	—	—	1½pm	¼pm	Raglan Prop.	1½pm	......
50	Nil	—	—	1pm	½pm	Strong & Fisher	1pm	......
05cts	Nil	—	—	117pm	109pm	T N T	116pm	......
20	F.P.	13.11	15/12	45	35	Websters	41	......

Renunciation date usually last day for dealing free of stamp duty. b Figures based on prospectus estimate. d Dividend rate paid or payable on part of capital; cover based on dividend on full capital. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. m Interim since increased or resumed. u Forecast dividend: cover based on previous year's earnings. F Dividend and yield based on prospectus or other official estimate for 1981.

FIXED INTEREST STOCKS

Issue price £	Amount paid up	Latest Renunc. date	1981 High	1981 Low	Stock	Closing price
‡	F.P.	26.10	85½p	81p	Asprey 9½% Cum. Prf.	85p
**	F.P.	—	38p	38p	Cater Ryder 4.8% 2nd. Cum. Prf.	38p
433p	F.P.	—	35p	32p	City Site Ests. 10% Cnv. Cum. Red. Prf.	33p
100	F.P.	—	100	100	♣Dunton 12% Conv. Cum. Red. Prf.	100
**	F.P.	10.12	103	102	E. Worcs Waterworks 10% Rd. Prf. '86	103
100	£10	—	13	12	Essex Water 10½ Red. Prf. 1986	13
51p	F.P.	—	54p	52p	Inchcape 5½% Cum. Red. Prf. 1990-2	54p
**	F.P.	—	143p	135p	McLeod Russel 9.4% Cnv. Red. Cum. Prf	142
$100	F.P.	—	100¼	100	Nat'wide Bdg.Society13¼%Bds '84 (1 83)	100
‡£1	F.P.	13/11	102½	100½	Staffs. Pots. 10% Cnv. Cum. Prf.	102
‡	F.P.	—	88	86	♣Television South Loan '88 88	86
—	F.P.	—	135	115	Viners 10% Cnv. Loan 1988	118

Q Gross. T Figures assumed. ‡ Cover allows for conversion of shares not now ranking for dividend or ranking only for restricted dividends. § Placing price. p Pence unless otherwise indicated. ¶ Issued by tender. ‖ Offered to holders of ordinary shares as a "rights." ** Issued by way of capitalisation. §§ Reintroduced. ¶¶ Issued in connection with reorganisation, merger or take-over. ‖‖ Introduction. □ Issued to former preference holders. ■ Allotment letters (or fully-paid). ● Provisional or partly-paid allotment letters. ★ With warrants. †† Dealings under special Rule. ♣ Unlisted Securities Market. ‡‡ London Listing. ★ Effective issue price after scrip. † Issued as a unit comprising 33 Ordinary and £5 Loan 1985-88.

Public Works Loan Board rates

Effective December 5

Years	Quota loans repaid by EIP†	Quota loans repaid At‡	Quota loans repaid at maturity§	Non-quota loans A* repaid by EIP†	Non-quota loans A* repaid At‡	Non-quota loans A* repaid at maturity§
Up to 5	15¼	15¼	15¼	16¼	16¼	16¼
Over 5, up to 6	15¼	15¼	15¼	16¼	16¼	16¼
Over 6, up to 7	15¼	15¼	15¼	16¼	16¼	16¼
Over 7, up to 8	15¼	15¼	15¼	16¼	16¼	16¼
Over 8, up to 9	15¼	15¼	15¼	16¼	16¼	16¼
Over 9, up to 10	15¼	15¼	15¼	16¼	16¼	16¼
Over 10, up to 15	15¼	15¼	15¼	16¼	16¼	16¼
Over 15, up to 25	15¼	15¼	15¼	16¼	16	16
Over 25	15¼	15¼	15¼	16	16	16

* Non-quota loans B are 1 per cent higher in each case than non-quota loans A. † Equal instalments of principal. ‡ Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest). § With half-yearly payments of interest only.

FT UNIT TRUST INFORMATION SERVICE

OFFSHORE & OVERSEAS FUNDS

S.G. Europe Obligations S.A.
9, Avenue de la Liberte, Luxembourg
London Agent: FFS, Salisbury Hse, London Wall EC2M 5TA. Tel. 01-920 0776 Telex 887281
Europe-Obligations | US$46.85 | +0.07 | 1.78

Euretax Investments Ltd.
1, Athol St., Douglas, Isle of Man.
UK Agents FIS, St. Albans. 0727 33166

Leopold Joseph & Sons (Guernsey)
Hirzel Ct., St. Peter Port, Guernsey. 0481-26648.
L.J. Sterling Fund | [£34.84 | 34.05] | ... | —
For Kemp-Gee see Scrimgeour Kemp-Gee.
For Keyser Ullman see Central Assets Management.

King & Shaxson Mngrs.
1, Charing Cross, St. Helier, Jersey. (0534) 73741

Save & Prosper International
Dealing to
P.O. Box 73, St. Helier, Jersey

[illegible]

AUTHORISED UNIT TRUSTS

Abbey Unit Tst. Mngrs. (a)
72-80, Gatehouse Rd., Aylesbury 0296 5941

Allen Harvey & Ross Unit Tst. Mngrs.
45, Cornhill, London EC3V 3PB. 01-623 6314.

AHR Gilt Trust	84.9	89.3	+0.8	13.59

Allied Hambro Ltd. (a) (g)
Hambro Hse., Hutton, Brentwood, Essex
Brentwood (0277) 211459 & 229123

Balanced Funds

Allied 1st	90.0	96.3	−0.2	5.08
Brit. Inds. Fund	76.3	81.6	−0.4	6.54
Growth & Income	57.2	61.2	−0.2	4.08
Elect. & Ind. Dev.	36.4	40.3	.....	4.94
Allied Capital	97.9	104.8	−0.2	4.76
Hambro Fund	133.8	143.2	−0.2	5.07
Hambro Acc. Fund	196.1	210.4	−0.5	4.75

Income Funds

Chieftain Trust Managers Ltd (a) (g)
11, New St., EC2M 4TP. 01-283 2632.

American (z)	27.8	30.2	−0.1	1.64
Australian (z)	23.5	25.4	+0.1	0.98
Far Eastern Tst. (z)	22.2	24.4	−0.3	1.24
High Income	33.6	36.4	+0.1	12.22
Intl. Trust (z)	48.9	51.7	+0.1	1.45
Basic Resources Tst.	48.7	52.8	.....	2.14
Intnl. Growth Tst.	24.5	26.3	.....	8.50
Pref. & Gilt Tst.	18.7	20.1	.....	15.72
Smaller Co's Trust	28.0	30.4	−0.2	3.58

Chesterton Fund Managers (g)
57-63, Princess St., Manchester. 061-236 5685

Growth	15.5	16.7	.....	3.86
International	21.6	22.6	+0.4	3.17
High Income	27.6	29.8	.....	11.91

Confederation Funds Mgt. Ltd. (a)
50, Chancery Lane, WC2A 1HE. 01-242 0282

Growth Fund	74.4	78.3	.....	3.69

For Cosmopolitan see Chesterton Fund Managers.

Craigmount Unit Tst. Mgrs. Ltd.
Bucklersbury, London EC4N 8BD. 01-248 4984

High Income	33.7	36.7	−0.1	12.45
North American	60.0	64.9	+0.3	2.65
Canadian Exempt*	66.4	70.4	.....	3.00
Canadian Trust	54.2	58.5	−0.5	3.09
Mid Mount High Inc.*	44.0	46.5	.....	10.50
Recovery	51.2	55.9	−0.2	3.90
Gilt Trust	39.4	41.5	+0.3	14.00

*Weekly dealing day Wednesday.

Crescent Unit Tst. Mngrs. Ltd. (a)(g)
4 Melville Cres., Edinburgh 3 031-226 4931

FT UNIT TRUST INFORMATION SERVICE

L & C Unit Trust Management Ltd.
The Stock Exchange, London EC2N 1HA 588 2800

L&C Inc. Fund	164.1	169.2	.....	8.86
L&C Intl & Gen Fd	130.9	135.0	.....	2.04

Legal & General (Unit Tst., Mngrs.) Ltd.
5 Rayleigh Rd., Brentwood 0277 217238

Equity Dis.	90.0	100.5	−0.7	4.54
Equity Acc.	130.3	140.9	−0.9	4.54
Gilt	111.0	116.9	+0.2	8.22

Leonine Administration Ltd.
2, St. Mary Axe, EC3A 8BP. 01-623 6114.

Leo Distribution	129.5	137.4	.....	0.42
Leo Accum.	153.4	162.7	.....	0.42

Lloyds Bk. Unit Tst. Mngrs. Ltd. (a)
Registrar's Dept., Goring-by-Sea, Worthing, West Sussex. 01-623 1288

Balanced	73.3	78.8	−0.3	4.82
Do. (Accum.)	114.9	123.5	−0.5	4.82
Energy Int.	46.4	49.9	−0.2	1.87
Do. (Accum.)	47.1	50.6	−0.2	1.87
Extra Income	59.1	63.5	−0.1	9.54
Do. (Accum.)	84.1	90.4	−0.2	9.54
Income	94.9	102.0	−0.3	7.26
Do. (Accum.)	156	168.1	−0.6	7.26
Int. Technology	77.9	83.7	+0.1	0.48
Do. (Accum.)	79.3	85.2	+0.1	0.48
N. American & Gen.	69.4	74.1	−0.6	1.16
Do. (Accum.)	51.3	55.1	−0.7	1.16
Pacific Basin	47.2	50.7	+0.2	1.00
Do. (Accum)	47.2	50.7	+0.2	1.00
Small Cos. & Recy.	55.8	60.0	.....	2.87
Do. (Accum.)	58.5	62.9	.....	2.87
Worldwide Grth.	86.3	92.7	−0.6	2.30
Do. (Accum.)	116.0	124.7	−0.8	2.30

♦Unauthorised. For tax exempt funds only.

Lloyd's Life Unit Tst. Mngrs. Ltd.
2, St. Mary Axe, EC3A 8BP. 01-623 6114

Equity Accum. (2)	272.1	286.4	.....	4.18

Royal Tst. Can. Fd. Mgrs. Ltd.
48-50, Cannon St., London EC4M 6LD 01-236 6044

Capital Fund	97.9	105.2	.....	3.94
Income Fund	69.2	74.4	.....	10.08

Prices on Nov. 30. Next dealing day Dec. 15.

For Saturn Fund Mngt. see SIMCO

Save & Prosper Group
4, Great St. Helens, London EC3P 3EP
68-73 Queen St., Edinburgh EH2 4NX
Dealings to: 01-554 8899 or 031-226 7351

International Funds

Capital	48.4	52.0	−0.1	2.68
I.T.U.	34.0	36.5	−0.1	4.06
Select International	366.5	390.0	+2.1	1.67
Univ. Growth	90.9	97.7	+0.5	0.72

Increasing Income Funds

High-Yield	55.4	59.5	−0.4	7.96
Select Income	58.6	63.0	−0.2	6.73

High Income Funds

Gilt & Fxd. Int. Inc.	45.6	48.0	+0.2	13.80
High Return	63.7	68.4	−0.6	8.68
Income	41.4	44.5	−0.2	10.66

U.K. Funds

Gilt & Fxd. Int. Grth.	50.7	51.3	+0.3	5.04
UK Equity	61.1	65.6	−0.3	4.42

Overseas Funds (z)

Europe	78.0	83.8	−0.1	1.46
Japan	138.2	148.0	+1.4	0.10
S.E. Asia	86.5	91.9	+1.0	0.66
U.S.	118.2	127.0	−0.9	0.74

Sector Funds

Commodity	132.5	142.4	+1.2	3.25
Energy	138.7	149.1	−0.3	1.29
Exploration Fund (z)	39.5	42.4	+0.2	0.25
Financial Secs.	106.3	114.3	−0.3	2.58
New Technology (z)	46.5	50.1	.....	0.25

Fixed-Interest Fund (z)

Intl. Bond Fd.	60.9	65.1	+0.3	2.26

Exempt Funds

Albany Life Assurance Co. Ltd.
31, Old Burlington St., W.1.

AMEV Life Assurance Ltd.
2-6, Prince of Wales Rd.

Barclays Life Assur. Co. Ltd.
252 Romford Rd., E7.

INSURANCE PROPERTY BONDS

FT SHARE INFORMATION SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

[illegible]

Five to Fifteen Years

[illegible]

Over Fifteen Years

[illegible]

Undated

[illegible]

INT. BANK AND O'SEAS GOVT. STERLING ISSUES

[illegible]

CORPORATION LOANS

[illegible]

COMMONWEALTH AND AFRICAN LOANS

[illegible]

LOANS

Public Board and Ind.

[illegible]

Financial

[illegible]

Building Societies

[illegible]

FOREIGN BONDS & RAILS

[illegible]

AMERICANS

[illegible]

CANADIANS

[illegible]

CANADIANS—Continued

[illegible]

BANKS AND HIRE PURCHASE

[illegible]

Hire Purchase, etc.

[illegible]

BEERS, WINES AND SPIRITS

[illegible]

BUILDING INDUSTRY, TIMBER AND ROADS

[illegible]

BUILDING INDUSTRY—Contd.

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

ELECTRICALS

[illegible]

ELECTRICALS—Continued

[illegible]

ENGINEERING MACHINE TOOLS

[illegible]

FOOD, GROCERIES, ETC.

[illegible]

FOOD, GROCERIES—Cont.

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS—Continued

[illegible]

INSURANCE

[illegible]

INSURANCE—Continued

[illegible]

LEISURE

[illegible]

MOTORS, AIRCRAFT TRADES

Motors and Cycles

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING ADVERTISING

[illegible]

PROPERTY

[illegible]

PROPERTY—Continued

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

INVESTMENT TRUSTS—Cont.

[illegible]

Finance, Land, etc.

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS—Continued

[illegible]

OVERSEAS TRADERS

[illegible]

RUBBERS AND SISALS

[illegible]

TEAS

India and Bangladesh

[illegible]

Sri Lanka

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Finance

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

MINES—Continued

Australian

[illegible]

Tins

[illegible]

Copper

[illegible]

Miscellaneous

[illegible]

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 30 per cent and allow for value of declared distribution and rights.

- ● "Tap" Stock.
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ϕ Figures or report awaited.
- ♦ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Dealt in under Rule 163(2)(a); not listed on any Stock Exchange and not subject to any listing requirements.
- ‡† Dealt in under Rule 163(3).
- ♯ Price at time of suspension.
- § Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress.
- ♣ Not comparable.
- ♠ Same interim: reduced final and/or reduced earnings indicated.
- ϕ Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ‖ No par value.

§§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. ‡‡ Available only to UK pension schemes and insurance companies engaged in pension business. a Tax free. b Figures based on prospectus or other official estimate. c Cents. d Dividend rate paid or payable on part of capital; cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. v Tax free up to 30p in the £. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1982-83. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1982. K Figures based on prospectus or other official estimates for 1981-82. M Dividend and yield based on prospectus or other official estimates for 1983. N Dividend and yield based on prospectus or other official estimates for 1981. P Figures based on prospectus or other official estimates for 1982. Q Gross. T Figures assumed. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL MARKETS

The following is a selection of London quotations of shares previously listed only in regional markets. Prices of Irish issues, most of which are not officially listed in London, are as quoted on the Irish exchange.

			IRISH		
Albany Inv. 20p	41	......	Conv. 9% '80/82	£93½	......
Bertrams	18	+½	Nat. 9¾% 84/89	£70¼	......
Bdg'wtr. Est. 50p	405	......	Fin. 13% 97/02	£75	......
Craig & Rose £1	£13	......	Alliance Gas	70	......
Finlay Pkg. 5p	25½	+2	Arnott	230xd	......
Graig Ship. £1	£19	......	Carroll (P.J.)	81	......
Higsons Brew	73xd	......	Concrete Prods.	90	......
Holt (Jos) 25p	515	......	Heiton (Hldgs.)	24½	......
I.O.M. Stm. £1	150	......	Irish Ropes	38	......
Pearce (C. H.)	780	......	Jacob	62	......
Peel Hldgs.	116	......	T.M.G.	18	......
Sheff. Refrshmt	85	......	Unidare	56	......
Sindall (Wm.)	190	......			

OPTIONS

3-month Call Rates

Industrials		House of Fraser	13	Utd. Drapery	6½
A. Brew	6½	I.C.I.	18	Vickers	15
BOC Intl.	11	"Imps"	5	Woolworths	4½
B.S.R.	7½	I.C.L.	5		
Babcock	9	Ladbroke	13	**Property**	
Barclays Bank	36	Legal & Gen.	20	Brit. Land	7
Beecham	27	Lex Service	9	Cap. Counties	10
Blue Circle	38	Lloyds Bank	29	Land Secs.	30
Boots	18	"Lofs"	3½	MEPC	20
Bowaters	19	London Brick	6½	Peachey	15
Brit. Aerospace	17	Lucas Inds.	18	Samuel Props.	13
B.A.T.	20	"Mams"	11	Town & City	2¼
Brown (J.)	8	Mrks. & Spncr	10		
Burton Ord.	12	Midland Bank	26	**Oils**	
Cadburys	8	N.E.I.	7	Brit. Petroleum	28
Courtaulds	5½	Nat. West. Bank	33	Burmah Oil	11
Debenhams	7	P & O Dfd.	9	Charterhall	6
Distillers	16	Plessey	26	KCA	12
Dunlop	6½	Racal Elect.	24	Premier	7
Eagle Star	25	R.H.M.	5	Shell	28
F.N.F.C.	4	Rank Org. Ord.	14	Tricentrol	25
Gen. Accident	30	Reed Intnl.	23	Ultramar	40
Gen. Electric	55	Sears	5		
Glaxo	22	Tesco	5	**Mines**	
Grand Met.	15	Thorn EMI	30	Charter Cons.	21
G.U.S. 'A'	36	Trust Houses	11	Cons. Gold	40
Guardian	30	Tube Invest.	12	Lonrho	7
G.K.N.	12	Turner & Newall	7½	Rio T. Zinc	45
Hawker Sidd.	25	Unilever	50		

A selection of Options traded is given on the London Stock Exchange Report page

"Recent Issues" and "Rights" Page 28

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £500 per annum for each security

FINANCIAL TIMES

Monday December 7 1981

COMPUTER GROUP EYES OFFICE EQUIPMENT MARKET

ICL joins Nexos negotiations

BY GUY DE JONQUIERES

ICL is expected to give more details today on its collaborative agreement with Fujitsu, the Japanese electronics maker, and on talks it is holding with other companies.

ICL has agreed arrangements with Fujitsu, on computer marketing and technology. It also discussed co-operation with Oki, another Japanese electronics company, and Nixdorf, a West German computer maker.

ICL, Britain's biggest computer manufacturer, has joined the negotiations on the future of Nexos, the state-backed office-equipment venture which has run up large losses.

ICL is exploring the possibility of marketing word-processors designed for Nexos by Logica, a leading UK computer-programming house, and of helping to develop new models.

The talks have focused on possible collaboration between ICL and Gestetner, the UK copier and duplicator group. Gestetner wants to acquire a 75 per cent interest in Nexos's word-processor operations.

The possibility of ICL forming a direct link with Logica, if Gestetner withdrew from the Nexos negotiations, is, however, not being excluded. That option would be likely, however, to face resistance from the National Enterprise Board. The board owns Nexos and would stand to gain little from such an arrangement.

The board, part of the British Technology Group, has invested more than £28m in Nexos since the venture was set up three years ago. It is under pressure from the Government to reduce its exposure.

ICL wants to expand into the office-equipment field but is unwilling to commit resources to developing an entirely new line of word-processors of its own.

Its worldwide marketing network could provide valuable outlets for the Nexos machines, of which only 1,000 have been sold since production began last January.

Gestetner also has an extensive international marketing organisation but has little experience of making or selling electronic office equipment. A collaborative arrangement with ICL could give it access to the latter company's technological resources.

For two months Gestetner has been discussing with the National Enterprise Board and Logica a proposal to hive off Nexos's word-processor activities in to a separate company. In this Gestetner would have a 75 per cent interest and the board 25 per cent.

The negotiations have been complicated, however, by disagreements over future arrangements for producing the Nexos word-processors, for which a Logica subsidiary holds exclusive manufacturing rights.

The machines are being made at a new plant in Swindon, Wilts, owned by Logica VTS. The company is majority owned by Logica but the NEB has a 43 per cent interest.

There have also been disagreements over the rights to Polynet, an office communications system developed by Logica. Gestetner is understood to be interested in acquiring this system as part of the deal.

U.S. seeks EEC accord on steel

BY GILES MERRITT IN BRUSSELS

NEGOTIATIONS to avert protectionist moves by the U.S. against EEC steel producers are now expected by European Commission officials to be the dominant theme of the forthcoming December 9 visit to Brussels of four members of President Reagan's Cabinet.

At last Friday's meeting in Washington between U.S. steel chiefs and President Reagan, the U.S. companies agreed to delay anti-dumping suits that would stem EEC steel exports across the Atlantic until after the Brussels talks.

The American team, led by Mr Alexander Haig, the Secretary of State, consists of Mr Malcolm Baldridge, the Commerce Secretary, Mr Bill Brock, the Special Trade Representative, and Mr John Block, the Agriculture Secretary.

With European steelmakers' sales to the U.S. due to have risen during 1981 to 6m tonnes from last year's 5m tonnes level, and with the U.S. trigger price mechanism for applying a surcharge to those imports being massively flouted, the Brussels talks later this week are now expected to concentrate on ways in which EEC steel shipments can be restricted without divisive protectionist action.

At the end of last week, the European Commission issued a formal statement denying a report in the Financial Times of December 3 that the offer of an "orderly marketing arrangement" covering steel had been made to the U.S.

It is now understood that in mid-1981 the Reagan Administration told Brussels officials that, although steel-makers in both the U.S. and the EEC favoured a formal export restraint pact, President Reagan would not countenance such an agreement.

Informal contacts between Brussels and Washington have since explored formulae that would lead to a reduction in EEC steel exports while avoiding any OMA-style pact or protracted anti-dumping hearings before the International Trade Commission in the U.S.

The European Commission has at the same time been pressing Washington to apply any restrictive measures to all steel exporting countries selling into the U.S. market, including Japan, Canada, Brazil, Spain and Romania.

The formula that may emerge at the December 9 talks between the U.S. team and Viscount Etienne Davignon, the EEC Industry Commissioner, and Herr Wilhelm Haferkamp, the External Relations Commissioner, would consist of a much looser understanding on steel. The European Commission would inform the Reagan Administration that it "understands" that the major EEC steel makers will spontaneously be cutting the volume of their U.S. sales.

Whether such an informal arrangement would satisfy the American industry is not certain.

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OECD says Turkey may need more aid

By David Tonge

A CONFIDENTIAL document for Western governments warns that Turkey may require additional Western aid in order to sustain economic recovery.

The report was prepared by the Organisation for Economic Co-operation and Development for Western government officials, who will discuss Turkey's economy in Paris today wiht Mr Turgit Ozal, Turkey's Deputy Prime Minister. Aid to Turkey is being threatened by European disquiet over the tough rule of the country's military Government.

West Germany, one of Turkey's major European donors, with Denmark and Norway, has reacted sharply to the jailing by the authorities last week of Mr Bulent Ecevit, the former Turkish Prime Minister.

The EEC Commission said after Mr Ecevit was imprisoned that work would stop on a $650m five-year aid programme for Turkey. Lord Carrington, the British Foreign Secretary, is expected to repeat British concern when he meets his Turkish counterparts at a Nato meeting in Brussels this week. The Turks are looking for a further $1bn in aid from the West next spring.

On Saturday, Mr Caspar Weinberger, the U.S. Secretary of Defence, said in Ankara that the U.S. would "be of as much assistance as we can" to Turkey. The OECD report, however, says Turkey needs more aid than Washington alone can provide.

It predicts additional financing requirements of between $0.8bn and $1bn next year rising to $1.65bn to $2.7bn by 1985 to cover the forecast deficit on capital and current account.

In the light of this, the report argues that it would be rash to conclude that by the year 1985, Turkey would see the end of its problems."

The recent threats to aid to Turkey are unlikely to cause any immediate cash crisis for the military Government. This year's buoyant exports and delays in disbursement of previous aid pledges mean foreign exchange transfers are proceeding relatively rapidly.

However, pressure for the suspension of Turkey from the Council of Europe is building up. The crucial attitude today in Paris will be that of West Germany, which has been the major European aid donor to Turkey. After visiting Ankara recently Herr Hans Dietrich Genscher, the West German Foreign Minister, warned that Turkey should make progress towards restoring democratic institutions or there could be problems with West German aid.

Government 'favours EMS link'

BY PETER RIDDELL, POLITICAL EDITOR

SENIOR MINISTERS and officials believe the Government is moving in a hesitant and uncertain way towards a decision next spring in favour of full British membership of the European Monetary System.

The issue is far from resolved, however, and several key ministers, including Mrs Thatcher, have yet to be convinced. But the balance of opinion appears to be shifting more towards full participation.

One senior minister, not previously an advocate of this step, regards it as a probability rather than a remote possibility, as he once thought.

One experienced Whitehall observer noted both the absence of any reference to monetary policy in the economic statement last Wednesday and the stonewalling by Sir Geoffrey Howe, the Chancellor, on the issue in front of the Commons Treasury committee last month. This, he said, reflected the continuing debate about the future of monetary policy.

Some reformulation of the medium-term financial strategy is certain in the spring Budget and a key decision will be whether to include a formal exchange rate commitment such as EMS entry.

A spring decision was also indicated in the Commons last week by the Prime Minister. She said the future of EMS after three years of existence would be debated by EEC heads of government at their next meeting ni March.

Mrs Thatcher is discussing the issue in an intermittent way with advisers, while Treasury and Bank of England officials consider the detailed implications.

The lines of the Whitehall debate are clear. The Foreign Office is strongly in favour, as is the Bank of England. But many Treasury ministers and officials are still sceptical about the desirability and practicability of linking sterling to other EEC currencies, notably the D-mark.

Many senior Bank officials dislike floating exchange rates and want a more managed system.

The key new element in the argument has been the vacuum created by the obvious failings of sterling M3, the broadly defined money supply, as a short-term guide after two years of large overshoot above target levels.

Consequently, it has been argued that a fixed exchange rate would provide an alternative financial discipline to help contain inflation, while also providing greater certainty for industry.

Full participation in EMS is being advocated for widely differing motives by supporters and opponents of tight monetary policies.

A complicating factor is the vocal support of Mr Edward Heath and Sir Ian Gilmour, which has apparently done nothing to endear the idea to the Prime Minister.

Lombard, Page 17

Business confidence improves

BY MAX WILKINSON, ECONOMICS CORRESPONDENT

A SLIGHT increase in business confidence compared with the very low levels of recent months is recorded in the latest Financial Times Business Opinion Survey, out today.

However, most of the specific indicators continue to give a gloomy picture of the prospects as seen by industry.

One of the few consistent strands of optimism recently has been the belief that inflationary pressures on industry are moderating. This month's survey confirms that industry is expecting wages to increase by just under 8 per cent next year, and price increases of just under 9 per cent.

This has doubtless contributed to the general improvement in expectations about profit margins since the beginning of the year.

However, this month's survey showed a slight reduction in the proportion expecting an improvement in earnings on capital employed. A recovery in optimism since last November about earnings per share also appears to be faltering, with only about a quarter of respondents now expecting an improvement.

The sectors interviewed this month—building and construction, food and tobacco and textile and clothing—showed increased pessimism about orders, output, exports and the level of stocks.

The indication that companies are more inclined than they were to believe that their stocks are too high is somewhat worrying since most forecasts, including that of the Treasury, suggest a modest growth of output next year will depend on companies reversing the recent trend of destocking.

The proportion of those surveyed who believe their stocks are still too high has been increasing since April after a fairly sharp fall at the beginning of the year.

However, the results need to be interpreted with caution since perceptions of desirable stock levels may be influenced by several conflicting factors including interest rates, trade prospects and competitive pressures.

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Spirits fall over Rolls

"And there's the psychological element—it's just not diplomatic to drive the new Rolls past the bulletin board which posts the latest redundancy notices."

Rolls-Royce acknowledges the extent of the drop and that this is the first time it has happened to its used-car values. The company said yesterday: "It simply reflects the current economic situation in this country. But there is little effect on new car sales. They have dropped only 2 per cent in the UK this year."

It said improvement was expected as the recession eased. Meanwhile, however, Rolls-Royce was well aware of the heightened consciousness about energy. It is working on a new, smaller-capacity engine. By the 1990s its cars will be smaller and much more economical.

The question is whether, when the UK moves out of recession, the former situation will re-emerge.

Some industry specialists are sceptical, believing the recession and energy consciousness have pulled a psychological trigger.

Meanwhile, Rolls-Royce is placing much greater stress on exports and its overall sales are not suffering. They are running 44 per cent ahead of last year.

Growth is coming, however, from the U.S., Middle East and Europe. UK sales this year are down slightly, to 1,204 compared with 1,279 in the first 10 months of 1980.

Continued from Page 1

Italian

close to the level of its major European

This evidence of spreading recession in Italy, coincides with fresh difficulties for the Government over the parliamentary passage of the 1982 Finance Bill.

Some members of the five-party coalition under Sig Giovanni Spadolini, the Prime Minister, are unhappy over what they feel have been concessions to the opposition Communist Party.

Sig Giovanni Marcora, the Industry Minister, stated in a newspaper interview yesterday that the Italian Government's *total borrowing* requirement L57,000bn. This compares with L57,000 bn. This compares with the absolute limit of L50,000bn laid down by Sig Spadolini.

Steel says many Tories may back Alliance

By Margaret Van Hattem

A LARGE number of Tory MPs *would be willing to co-operate* with a Liberal-SDP Alliance government, Mr David Steel, the Liberal leader, claimed yesterday.

Speaking on BBC radio, Mr Steel said he had discussed the matter informally with Tory MPs and believed many were prepared for defeat at the next general election and would be ready to align themselves with the Alliance in the short term.

He did not believe they would leave the Conservative Party but suggested they would co-operate to secure electoral reform. "They are keeping a line open to us and that's not a line we should shut down," he said.

While he hoped the Alliance would form the biggest single group in the next parliament, Mr Steel sought to play down high hopes generated by the latest opinion polls and the result of the Crosby by-election.

Support for the alliance might well ebb before the next election and it was important to maintain contacts with Labour and Conservative members who might be willing to co-operate with a minority Alliance government.

Both the Liberals and the SDP agreed that electoral reform should have high priority and recognised "the need to detach from other parties enough people to secure the passage of an electoral reform bill."

He ruled out the possibility of a formal coalition with either of the two major parties, but left open the possibility of a less formal agreement should either party be prepared to meet two essential conditions—support for electoral reform and a change in their present leadership.

Mr Steel also rejected suggestions that prominant Tory MPs such as Mr Edward Heath or Sir Ian Gilmour would join the Alliance. They might well align themselves with it after the election to strengthen their campaign for a change of leadership and of direction, but would probably seek to remain formally within the Conservative Party, he said.

The Liberal leader also indicated that Mr Roy Jenkins will not necessarily get a clear run should he wish to contest the next by-election as the Alliance candidate. This follows widespread speculation that Mr Jenkins may seek to contest Bermondsey should Mr Bob Mellish, the former Labour Chief Whip, resign soon.

Weather

UK TODAY

CLOUDY with wintry showers.

London, S. England, E. Anglia, E. Midlands
Cloudy with rain, light or moderate wind. Max. 5C (41F).

N.E. England, Borders, Highlands, N.E. Scotland
Cloudy, sleet or snow, light or moderate wind. Max. 4C (39F).

W. Midlands, Channel Islands, S.W. England, Wales
Cloudy, outbreaks of rain, snow on high ground. Moderate or fresh wind. Max. 7C (45F).

N.W. England, N. Ireland
Cloudy with showers, rain or sleet later. Moderate or fresh wind. Max. 6C (43F).

Outlook: Sunny intervals, snow showers, frost.

WORLDWIDE

		Y'day midday °C	°F			Y'day midday °C	°F
Ajaccio	C	11	52	L. Ang.†	Fg	11	52
Algiers	S	18	64	Luxmbg.	R	2	36
Amsdm.	C	4	39	Luxor	S	25	77
Athens	S	15	59	Madrid	S	6	43
Bahrain	S	24	75	Majorca	F	16	61
Barclna.	F	13	55	Malaga	F	18	64
Beirut	C	18	64	Malta	F	17	63
Belfast	C	6	43	M'chstr	C	7	45
Belgrd.	S	4	39	Melbne.	F	28	82
Berlin	Sl	1	34	Mx. C.†	—	—	—
Biarritz	C	11	52	Miami†	C	12	54
Bmghm.	C	6	43	Milan	C	2	36
Blackpl.	C	7	45	Montrl.†	C	−4	25
Bordx.	C	11	52	Moscow	C	0	32
Boulgn.	C	5	41	Munich	C	0	32
Bristol	C	7	45	Nairobi	C	18	64
Brussels	R	4	39	Naples	S	11	52
Budpst.	F	2	36	Nassau	—	—	—
Cairo	—	—	—	Nwcstl.	C	5	41
Cardiff	C	7	45	N. York†	C	1	34
Cas'b'ca	R	16	61	Nice	C	9	48
Cape T.	—	—	—	Nicosia	F	19	66
Chicg.†	F	−1	30	Oporto	S	13	55
Cologne	R	4	39	Oslo	S	−6	21
Cpnhgn.	F	2	36	Paris	C	5	41
Corfu	F	11	52	Perth	S	23	73
Denver†	F	6	43	Prague	F	1	34
Dbrvnk.	F	11	52	Rykjvk.	C	1	34
Dublin	C	7	45	Rhodes	C	15	59
Edinbgh	C	4	39	Rio J'o†	—	—	—
Faro	C	16	61	Rome	C	11	52
Florence	C	5	41	Salzbrg.	C	0	32
Frankft.	Sl	1	34	S'cisco†	Fg	8	46
Funchal	F	19	66	S.Mritz.	—	—	—
Geneva	F	2	36	Singapr	—	—	—
Gibrltr.	F	16	61	S'tiago†	—	—	—
Gl'sg'w	C	5	41	Stckhm.	C	−8	18
Guernsey	F	7	45	Strsbg.	C	3	37
Helsinki	C	−5	23	Sydney	S	24	75
H. Kong	S	20	68	Tangier	R	14	57
Innsbrk.	C	−2	28	Tel Aviv	F	19	66
Invrnss.	F	3	37	Tenerife	S	21	70
I.o.Man	C	7	45	Tokyo	F	11	52
Istanbul	C	5	41	T'ronto†	C	−4	25
Jersey	F	9	48	Tunis	F	17	63
Jo'burg	C	19	66	Valencia	S	14	57
L. Plms.	F	20	68	Venice	C	4	39
Lisbon	S	14	57	Vienna	C	3	37
Locarno	F	[illegible]	[illegible]	Warsaw	C	−1	30
London	F	7	45	Zurich	C	2	36

C—Cloudy. F—Fair. Fg—Fog. H—Hail. R—Rain. S—Sunny. Sl—Sleet. Sn—Snow. T—Thunder.
† Noon GMT temperatures.

THE LEX COLUMN

Taxing times for futures

If all goes according to plan the shiny new doors of a financial futures market will open in London next year. The market will be a gamble, in more senses than one. At the very least it will require a big education programme if it is to receive the necessary level of support. Perhaps the single most critical factor in determining whether it suceeds, however, will be the Inland Revenue's tax treatment of operators. No one has forgotten the poor start of the traded options market. Many blame that on the Revenue's initial treatment of options as a wasting asset, thereby reducing the level of losses available for offset against profits.

The Revenue has taken no position on how profits should be taxed, whether as capital gains or as trading income. A meeting is to be held shortly at which the promoters of the market will explain how they expect it to work. The Revenue will base its decisions on the applicable tax treatment on that. Futures, commodity or financial, have for years been a focus for Revenue concern about tax avoidance. Standing law provides a jungle of provisions blocking loopholes in this area. No doubt there are a hundred forgotten "wasted-assets" clauses tucked away in the legislative woodwork, so Revenue good will will be extremely important.

In terms of potential loss of tax revenue the gilts-based contract could cause most headaches. Capital gains on gilt-edged sold within a year are currently taxable, albeit rare. The existence of a futures market, however, will allow investors to lock into gains made within a year without selling stock in the chargeable period.

However the Revenue—and Ministers—decide to deal with this specific issue the general approach is expected to be based on existing law. According to Spicer and Pegler, the accountants, this should mean banks and other financial institutions will be able to operate in the market without undue restraint. Profits should be assessed in the same way as dealings in most financial instruments under the corporation tax legislation. The only grey area is whether the Revenue will take unrealised profits or losses into account.

Pension and other tax—exempt funds may be in a less happy position. Already they eye the traded options market with suspicion, because dealings here are not regarded as an investment activity and are liable to capital gains tax. The funds are likely to regard dealings on the futures market with even greater horror, because current legislation would leave them vulnerable to income tax. They would only be safe in hedging operations where they took actual delivery of the underlying security, which would be a fairly limiting use of the market.

Investment and unit trusts may be inhibited also although for different reasons. To obtain approval under section 359 of the Taxes Act 1970 they must derive their income wholly or mainly from shares or securities, a provision which would not allow them to be heavy speculators in the futures market. They can use the market to hedge, however, as long as the contracts are settled by delivery, in which case gains will be tax free in the normal way.

The signs are, however, that unless the Revenue makes some concessions individuals could be the worst hit of all. While most financial institutions are probably happy enough to be assessed for corporation tax, individuals generally prefer dealings to be treated under the capital gains tax legislation. Not only is Schedule D of the income tax legislation the likely home, however, but, possibly within that, Case 6, with its very inflexible loss-offsetting rules and liability to investment income surcharge. Such harsh treatment could be damaging, because speculators are an essential ingredient in a futures market and individuals acting in this capacity have been a key factor in the success of Chicago.

Newmarket

A company that can boast a tenfold increase in net worth per share over four years is bound to attract some interest when it makes a £20m offer for sale and applies for a full listing. If the prospectus also drops the names of Rockefeller, Apple Computer and King's College, Cambridge, a captive audience is assured.

So the stags may be out in force for the public launch of Newmarket Company (1981), a venture-capital group which invests overwhelmingly in the U.S. and has struck gold with two computer companies, Evans and Sutherland and Apple. The proceeds of the offering, which will double net worth, will be invested over about five years. Half the new shares have been sold.

Newmarket will be the first company of its kind on the stock market, a fact which Cazenove presumably bore in mind when it priced the issue at precisely net asset value. There is a disguised discount, because the Evans holding, which will account for almost half net worth, is entered at 10 per cent below market value because of the difficulty of selling so large a stake.

Yet the discount is still not generous for a closed-end fund, particularly as Venrock (the mysterious Rockefeller company which "locates" investments) is handsomely rewarded for its services. Newmarket has bought as many duds as stars in its eight-year history and the track record was very dull until 1978. That, however, is the nature of venture capitalism and institutions will probably climb aboard this very racy vehicle.

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